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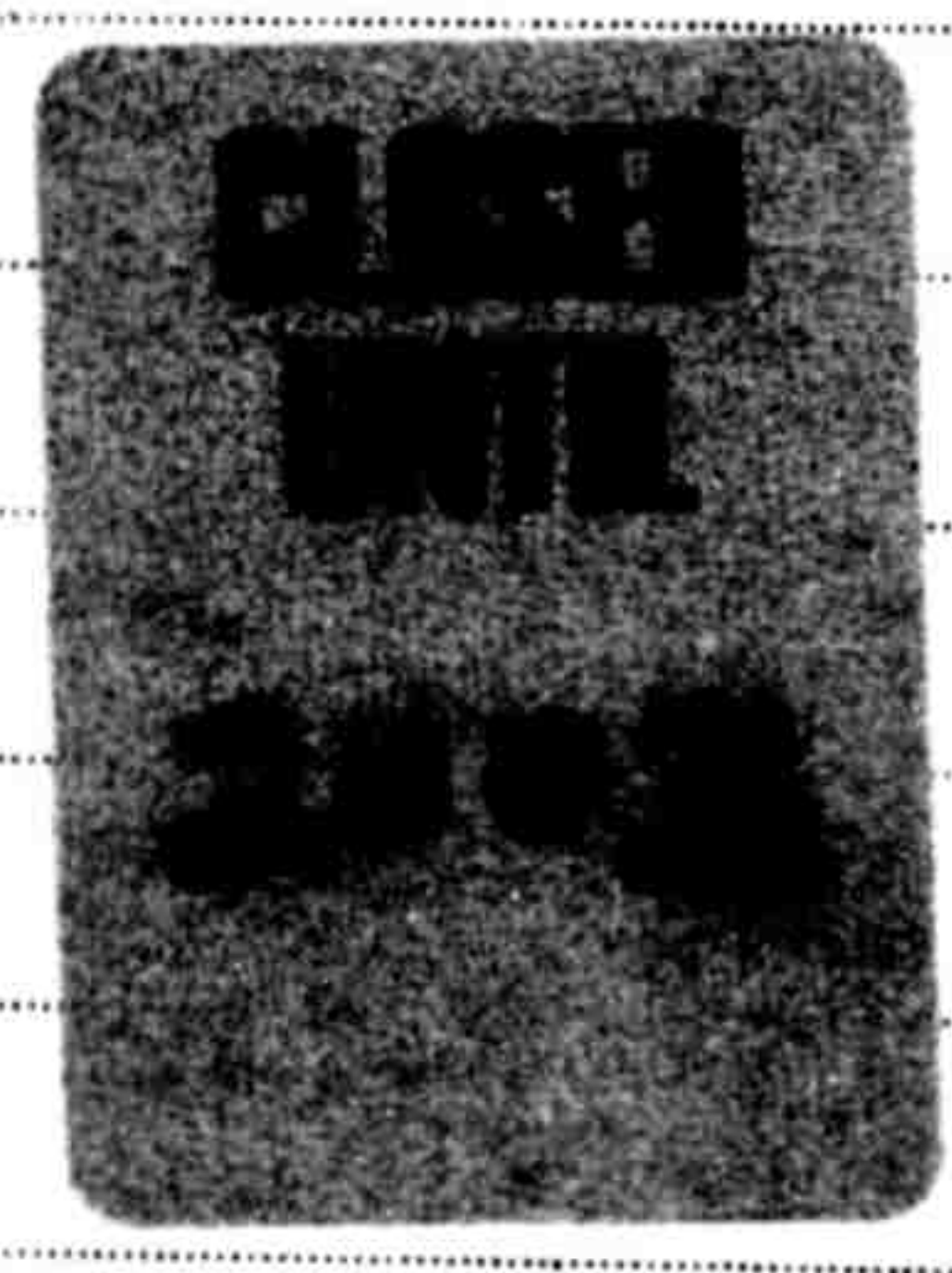
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31st August, 1972

Confidential

G. Lockton, Esq.,
Oil Department,
Foreign and Commonwealth Office,
Whitehall,
LONDON S.W.1.

Enter 18/9
Mr Burton, MED.

*This is more in your
line than mine.*

Dear Mr. Lockton,

*G. Lockton 14/9
Oil Dept*

We have undertaken a study of the information we have on Iraq Government Budgets and enclose a set of the papers which you may find of interest. The division into separate papers was merely for convenience in reading and they are all closely connected.

Yours sincerely,



Nick Falken

for Manager, General Division

Enc.

Iraq's Foreign Assets and Requirements, June 1st, 1972Assets

As reported to the International Monetary Fund, appearing in International Financial Statistics April 1972, the gold and foreign exchange reserves of Iraq at the end of February 1972 stood at \$649.2 million.

Since the Syrian closure at the end of 1966 it has seemed that a good proportion of Iraq's official foreign assets are, whatever the reason may be, 'unavailable' to meet its normal foreign commitments. At that time it appeared that the 'unavailable' amount was some \$220 million. After a while, by the end of 1969 there were again signs of difficulties at a higher level and in August 1970 it was fairly surely established around \$360 million. There is an indication of a further rise by November but no positive evidence of the position since that date; a sum of at least \$70 million remains to be accounted for between then and the end of June 1971 but it is not clear whether it should be taken as a further increase in 'unavailable' reserves.

After Company payments totalling over \$250 million in the month of June 1971 the official reserves figure at the end of the month stood at \$608 million. Since August there has been a steady build up to the end of February figure. Whether this was deliberate in preparation for a show-down, whether it merely reflects the difficulties of adjusting to the much higher oil payments, which started to be made monthly in September 1971 at a rate around \$80 million per month, and whether any part of the increase has swollen the 'unavailable' figure are questions which at present cannot be answered.

It was in August 1970 that Iraq withdrew its Gold Tranche of \$20 million from the IMF (supplemented by \$7 million which became available in November). In spite of the large receipts, particularly the following June, this has not been repaid to restore Iraq's standing with the Fund. This could presumably be oversight, or might be significant.

Extrapolating the recent trend, official foreign assets figure at the end of May 1972 may be put around \$730 million. But with a minimum of \$400 apparently unavailable perhaps \$330 million would seem a more realistic figure to consider as coverage for normal requirements, and it may well be less.

Requirements

The non-oil exports of Iraq have been running about \$60 million a year, weighted towards autumn with the date-exporting season. Imports were authorised for 1971/72 at \$665 million and up to the half-way totalled \$325 million. For 1972/73 \$770 million was authorised in April; the effect of last week's austerity rulings have not be quantified.

On invisibles and other minor items, outgoings in 1969, the last year for which details are available, amounted to \$190 million while receipts were \$165 million. The former does not include the artificial "negative investment income" imputed to the oil Companies but the latter does include their remittances to cover local expenditures of \$50 million.

In the crisis year of 1967 Iraq managed to reduce its imports to \$420 million, which at present prices may be equivalent to around \$500 million. With time and organisation a little more might have been cut, but it appeared that at least 80% of this figure would be the essential minimum for supplies of food and other materials necessary to prevent wide-spread distress.

To sum up Iraq's requirements

	\$ million per year		per month	
	Programme	Reduced Level	Programme	Reduced Level
Trade: Imports	770	500		
less non-oil Exports	60	60		
	<hr/>	<hr/>		
Net	710	440	59.2	36.7
Others, Net	75	75	6.3	6.3
(without oil Companies)	<hr/>	<hr/>	<hr/>	<hr/>
	785	515	65.5	43
	<hr/>	<hr/>	<hr/>	<hr/>

with the eventual possibility of a little further reduction, while on the other hand it will take at least 3 months to come down to the reduced level.

Oil

The above does not allow for the fact that INOC has commenced exports. While the latter might not earn all the currencies required for present imports, some 30% are already coming from Communist countries and certain vital items such as Ceylon tea and Russian sugar might now be obtained by barter. The requirement of some of the oil for repayment of loans might also be suspended. Even so, exports by INOC with its own stated capacity of 100,000 b/d at a price of \$/bbl 1.70 would provide only \$5 million per month.

With BPC continuing to export at a rate of 31 mta, the Government's share at present rates would be approximately \$330 million per year or \$27.5 million per month, together with about \$2.5 million per month to cover local expenditure.

Oil earnings then would still leave around \$30.5 million per month deficit on programmed requirements, which the 'available' reserves would cover for about ten months. On the reduced import level the deficit of \$8 million per month could be met for over three years. Any earnings on Mediterranean oil would extend these periods.

IRAQ GOVERNMENTAL BUDGET 1972/73
AND POSSIBLE CHANGES AFTER 1ST JUNE, 1972

Summary

A review has been made of the Iraq State Budgets over the last six years and of what is known of the actual results. The object was to assess in the new circumstances what changes might or could be made in the 1972/73 budget, which was legislated at the end of March, and to consider possible implications. Certain conclusions have emerged and are given here as of immediate interest. To some extent they depend on observations made in previous papers dealing with Iraq's annual budgets, the latest being the Provisional Note at the beginning of June this year. For convenient reference, these observations and other notes of Iraq government finances are being assembled and one or two papers recapitulating the background information will follow. Foreign exchange matters were covered in Note EC/CON/50, also early in June, and are mentioned here only incidentally.

The 1972/73 budget revenues for the Ordinary and Economic Plan totalled ID.571.8 million (excluding a small transfer), and may now be expected to be about 305, before any Government net receipts from its sales of I.P.C. oil are included. The corresponding original expenditure total of ID.589.4 million may not be reducible below 431 perhaps, turning a planned deficit of around 18 into a prospective one of ID.126 million.

To cover the costs of the nationalised I.P.C. operation and make some provision for Syrian expectations, the Iraq Government may have to try to sell nearly 8 million tons of Kirkuk oil. Over 20 million tons more would be needed to meet the prospective deficit.

Budget Modifications in Prospect(i) Revenues(a) Oil

The 1972/73 Budget gives a figure of ID.342 million for the oil revenues. B.P.C. at 31 m.t.a. will on present terms provide 108 for the Government. M.P.C. at a full year's rate 6, and I.P.C. for April and May, including payments into special accounts, some 26. The maximum Government expectation from the Company is now ID.140 million.

As has been noted, there is no actual mention of INOC anywhere in the budget, but it is thought improbable that its expectations have not been taken into consideration. Whatever they were thought to be when the budget was drawn up, they have not been altered by the nationalisation of I.P.C. and so any budget figure which may refer does not need adjusting.

Possible Iraq Government sales of I.P.C. oil are considered later, but it may be noted here that Company remittances to cover local expenditure on wages etc. in I.P.C. were at a rate of ID.10 million per annum (excluding special Social Security payment).

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(b) Other

The Customs and Excise budgeted revenues of ID.82.2 million already looked high against the import authorisations for the year of 253, and the actual figures in the past show clearly this is an item which has always been over-estimated. It has been announced that all authorisations except for INOC are to be severely reduced, but no figure stated. In Note EC/CON/50 it was suggested a minimum import figure might be ID.165 million, but commitments already entered into would delay the reductions. In round figures some 200 million imports may be expected, and the Customs and Excise revenue in the usual proportion might then be about ID.60 million.

Other revenue items do not appear so directly affected by the nationalisation and changes may be within the limits of normal budgeting error, so the figures have not been altered below. The Foreign Loans figure has also been left. The loan approved by OAPEC of £53.9 million (ID.46.2) was only for 3 months from June 1st, and while Kuwait's 25% share was approved by the National Assembly, one report of Libya also considering a 25% share has been the only further news. What other loans Iraq might actually obtain is speculation.

(ii) Expenditure

(a) Defence

The truce with the Kurds in March 1970 followed by the withdrawal of the Iraq forces from Jordan in January 1971 was expected by spokesmen and commentators alike to enable reductions in defence expenditure to be made. Instead of which budget provision for defence rose to ID.148 million in 1972 from 75 in 1967, while the actual figure of 84 in that year appears probably to have become 172 by 1971. It is suggested that here again there is evidence of the accumulation of debits which have been incurred for arms deliveries (cf. Note EC/CON/46 of January 1972). If so, while the Government can hardly cut its internal defence expenditure, it might persuade the creditor to grant a moratorium on such debt repayments. In the table below an arbitrary figure of ID.30 million is taken as possible saving on the defence budget this year on this account.

(b) Economic Plan

The one clear announcement of budget figures being cut related to the Economic Plan, to ID.119 million instead of 242. If, as suggested by the entry "Anticipated Savings, (to be discussed further in a later paper), under-spending of 52.6 was already expected, the cut may not be so drastic as it appears. As usual, the reduction is almost entirely in the Investment sectors, down from 194 to 78, which must be close to the minimum required to retain any sort of labour force and organisation for constructive activities. It may indeed have been found too low in regard to existing commitments, which might explain the very recent announcement that 10 is to be restored to the Investment sectors and 1.5 to the 'loans' to the ordinary Departments in the Plan budget.

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(c) Other Ordinary

Apart from Defence and Pensions, the total of the Ordinary budget is 173.7, which the details published enable to be shown under headings :

Departmental Salaries	45.6
" Administrative Expenses	6.9
" Other	<u>36.0</u>
Departmental Total	88.5
Grants : Municipal	50.4
" Miscellaneous	<u>34.8</u>
ID. millions	<u>173.7</u>

But the total for Governmental salaries and wages is much higher than at first appears. Comparison between Budgets and statistics available for some earlier years show that approximately three-quarters of the Municipal grant is pay for some 60,000 primary school teachers and 25,000 other workers, while around two-thirds of the Miscellaneous grants are also for officials; perhaps 38 and 22 respectively may be taken as estimates for this year. A proportion of the Departmental 'Other' figure also appears to be for non-established labour, though it was not found possible to deduce it with any accuracy. Altogether pay-roll must account for something over ID.110 million of the above figure, with around 60 for other expenses.

It has been announced that "Administrative Expenses" are to be cut by 25%, which would mean little if applied only to the entries so designated in the budget, but on the broader interpretation above may save around 15. Unlike July 1967 salaries are not actually to be cut, but officials are to be required to contribute between 7% and 20% of their salaries to a National Solidarity Loan by which it is planned to raise ID.10 million. It is entered below as revenue rather than reduction of expenditures as that is probably the official style.

(iii) The 1972/73 Budget Amended

The form the original budget now takes, before taking into account possible costs and receipts for nationalised I.P.C. oil, may therefore be something like this :

REVENUES	<u>Original</u>	<u>Amended</u>
Oil Companies	342	140
Direct taxes and other	47.6	47.6
Customs and Excise	82.2	60
Departments and Organisations	36.5	36.5
Foreign Loans	10.9	10.9
National Solidarity Loan	-	10
"Anticipated Savings"	52.6	-
Total Governmental	<u>571.8</u>	<u>305.0</u>

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EXPENDITURES	<u>Original</u>	<u>Amended</u>
Defence and Security	148.2	118.2
Pensions	25	25
Other Ordinary - Pay approx.	113.7	113.7
Other Ordinary - non-personal	60	45
Economic Plan - investments	194	88
Economic Plan - other	48.5	42.5
	<hr/>	<hr/>
Total Governmental	589.4	431.4
	<hr/>	<hr/>
DEFICIT	17.6	126.4
	<hr/>	<hr/>

Budgetary deficits are not new to Iraq but may (as will be discussed in a later paper) have arisen largely from payments on external account. The figure shown by this calculation would have to be borne internally and would be expected to cause considerable inflationary pressure. But the counteraction of the reduced level of economic activities, coupled with the tight state control in all fields, make it impossible to predict how long it may be before the stresses show.

Nationalised I.P.C. Oil

The Government's need for earnings from nationalised I.P.C. oil is clear. There has been some discussion whether the Soviet Bloc in particular could pay for such oil, but Iraq had an adverse trade balance with the Bloc of ID.43 million in 1970 and 28 in the first half only of 1971 and until oil sales can exceed such values it is not thought relevant whether they be termed repayments of loans, barter or sales. Similarly there are appreciable adverse balances with any other potential customer.

Before such sales can start to relieve the budgetary deficit however there are costs to be met. The I.P.C. Iraq costs of 10 which the Government now has to meet have not been brought into the budget above. Syria would certainly like to see I.P.C. costs equivalent to ID.7 million covered as well as its 1971 revenue from the Company equivalent to 30 maintained, and these figures are taken here for illustration without implying a forecast of what actual terms may be reached.

Again for illustration a possible realised price is taken to be \$2.40 per barrel - ID.6.0 per ton. Total costs of ID.47 million would then require sales approaching 8 million tons before net revenue would be earned. To cover the budget deficit of ID.126 million sales of 21 million tons would then be required, giving a total of some 29 million tons as Iraq's sales target even with its reduced budget. If sales are at a much lower level than this, they will probably be inadequate to ward off the inflationary stresses foreseen.

THE IRAQ GOVERNMENT BUDGET AND THE STATE "ORGANISATIONS"

In the recent note on the Iraq Budget 1972/73 (EC/CON/51) it was said that further background information would be provided. This paper therefore deals with the relation between the "Organisations" and the State Budget. Before taking up the subject in general however one Organisation new this year does call for comment; it was fortunate that the issue of the Official Gazette in which the Budget details were published had been despatched from Baghdad before 1st June.

CEREALS IMPORTS IN 1971

An Organisation for Cereals which in 1971/72 had a budget of ID 2.5 million was found to have been divided into Board for Control of Cereals, budget 0.1, and a Cereals Trading Organisation, with a budget of ID 33.5 million for expenditure (33.1 revenue). With no other details in the published Budget, and no press report having been seen which might be a relevant one, it was not at once possible to evaluate the implications of this entry although it was clearly significant.

Statistics of Iraq agriculture - see Economic Special Note of May 1972 - show that after two good years 1970 was poor, and it was known in general terms that the 1971 harvest was bad. Official import figures showed ID 5.8 million for cereals in the first half of 1971 and a report in Beirut's An-Nahar at the end of June suggested it had been \$ 30 million (around ID 11 million) for the full year. Even at that it would have been the second highest need for imports recorded, after ID 14.1 in 1961. The poisoning crisis early this year, caused by peasants eating seed corn which had been treated against root pests, demonstrated clearly that a shortage was being felt, as had similar incidents in the former year.

But the budget provision seemed to imply a still more disastrous state of affairs. Now the first mention of the full 1971 trade figures has just appeared in the Baghdad Observer, giving no less than ID 40.3 million for cereals imports, with Canada and Australia each providing about two-fifths. In quantity this may be equivalent to about 1½ million tons in total, about 60% of Iraq's annual consumption of all cereals and more than 100% of wheat alone.

Indeed it appears to have been an over-reaction; the An-Nahar report continued that after a successful harvest the Organisation was planning to export half a million tons this year, and private information is that large quantities possibly reaching this total have been offered to world markets, but of the more expensive Canadian wheat, not native produce. Nevertheless it is now clear that by August 1971 - the harvest is from April to July according to area - the Government must have felt under severe pressure for reasons it was not prepared to admit publicly. The accusations that the reduction in oil exports was sabotaging Iraq's Development Plans, which never did ring true, can be seen as camouflage for other anxieties.

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THE "STATE BUDGET"

Until 1966 the budget of Iraq was the "Ordinary Budget" comprising normal government transactions. The Economic Plan existed but annual budgets for it were not given. There were certain "Autonomous Agencies" for which separate budgets were officially published. But in November of that year Law 101 amalgamated the three separate sections into one "State Budget", and the practice has been followed since. The official explanation at the time was that the step had been taken simply to increase the Government's borrowing powers (to be mentioned later), but it may also be thought of as the natural expression of the finances of a largely socialist state, as was clearly stated in Syria when it undertook a similar amalgamation of the state budgets at the start of 1968.

THE "ORGANISATIONS"

The Autonomous Agencies have been given various titles over the years; the most recent budget describes them as "Organisations and Boards" and the term Organisations is a convenient one to use here. Immediately in November 1966 their number jumped from 8 to 26 and have continued to proliferate until they number 102 in the current year, an increase of 8 over 1971. The total budget revenues of these Organisations similarly increased from ID 71 million to the present ID 569 million, only 5 less than the Ordinary and Economic Plan budgets together.

It has been mentioned before that the growth of the Organisations shows two aspects. In the first place the increase in numbers comes from sub-division of previous organisations, as for instance this year an "Organisation for the import of precision instruments" has been split off from the general trade or mechanical equipment import organisation*, and a "Board for the control of sales of agricultural machinery" has been derived from one of the Agricultural Organisations. In the second place these splits affect the total of revenues attributable to the Organisations, since the figures for revenue and expenditure shown for each is clearly gross, whereas previously exchanges between a new one and the organisation or department of which it had formed part would not have been shown separately. While the increase in nominal total revenues has clearly been the motivation for setting up many of the new organisations in previous years, this year with the exception of Cereals the new ones have very small budgets and the reason for their separation must be presumed administrative. The considerable expansion in the total revenues budgeted, from 417 last year to 569 this year, is found on examination of the budget details to stem very largely from the greatly increased activity anticipated for the State Trading Organisations handling sales of cars, stores, machinery etc. which in turn reflect the increase in imports that had been planned on the strength of the higher oil revenues expected.

FINANCES OF THE ORGANISATIONS

The total revenues and expenditures of the organisations now form fifty percent of the total published state budget. Obviously they have significance as indicators of hoped-for economic activity of the country, especially with the very restricted opportunities now permitted to the private sector, but whether they are relevant to consideration of the state's finances

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* or perhaps this had been one of the activities still permitted to the private sector as a recent remark by the Minister seems to imply.

is another matter. Even the full published version of the budget is merely an outline and details cannot easily be traced. However it does appear that, certainly for most organisations, the net demand from or contribution to the state's finances is already recorded under Ordinary Budget or occasionally Economic Plan headings, and therefore inclusion of the Organisations' figures in the reckoning merely leads to double counting.

This is most clearly seen with the organisations which have little income of their own, such as the Universities or Broadcasting Service, for which the Expenditure in the form of direct Grants is recorded in the Ordinary Budget, and is close to the figures of revenue and expenditure given separately for the Organisation. Similarly with various of the organisations of administrative character provision for their revenues may be discerned under the Ordinary Budget expenditure headings of the appropriate Ministries.

For the revenue-earning organisations, and particularly those with appreciable capital requirements, it is very difficult to gather what is comprised in the single figure of revenue and expenditure which is all that is given for each. On the other hand, while there are entries on both Ordinary and Development budgets under a number of headings of revenues from or expenditure on the Organisations, most of these are a single figure for the whole 102 of them. Occasionally some light is shed when other publications are set alongside the Budget.

One feature of the present system of public accounting in Iraq has become clear: that all the liquid assets of any public body are taken as the property of the Treasury at the end of the fiscal year, which then sanctions a revised balance for the start of the following one. This explains the Budget entry "Cash Assets of Organisations" which is ID 71.9 million for 1972/73, up from 48.1 the previous year. Though the figure is not directly counted in the State total, there have been indications that these transfers to and from the Treasury are included in the revenue and expenditure budgeted for the individual organisations, and so do help to swell the grand total.

The entry in the Ordinary Budget of "Revenues from the Sale of Crude Oil" was for some years a puzzle, until it was discovered that what was effectively a tax on crude entering GORA refineries had been imposed in October 1965 at one dinar a ton (apparently increased in July 1967 to 1.500) quite apart from excise duties. A corresponding item is thought to appear among GORA's Expenditures, and presumably sales are expected to cover this among other costs. It is to be supposed that other particular items of Ordinary Budget Revenues, such as Electricity Duties, are similarly duplicated in the accounts of the responsible Organisation.

Although in other Government publications INOC is ranked among the self-financing Organisations such as GORA, Ports, Railways etc., it has always been notably absent from the Budget. Recent evidence shows however that its finances in the early stages were supplied from the Development Plan funds.

GORA and the Oil Products Distribution Administration, attached to the Ministry of Oil, were two of the original Organisations with independent budgets and in those days produced profits together of ID 3-4 million besides collecting around 8 in excise. After the State Budget was introduced losses of ID 5 - 8 million have been budgeted - no actual figures for any of the organisations have been given since then. The crude oil tax and other rising costs, plus provision in full for all capital expenditure in the year it

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occurs as the present system requires, might just possibly account for the turn around. They cannot begin to account for the leap in the 1972/73 budget to losses of 13 for GORA and 20 for OPDA, even if the bulk of the Basrah refinery debits are being provided for in one year. It is possible these accounts are now being drawn for INOC's requirements, even perhaps retrospectively following an accounting procedure indicated by the cereals case. There is simply not enough information to tell.

Examples such as these may demonstrate the difficulties of trying to follow the Organisations' finances. However it is concluded probable, though there may be minor exceptions, that the Budget figures for the Organisations have no independent significance in the State finances apart from the corresponding entries in the Ordinary and Economic Plan accounts.

BORROWING POWERS OF THE GOVERNMENT

As stated above and referred to in the preceding note, Law 72 of 1956 was officially given as the reason for the amalgamation of the State Budget in November 1966, and is thought at least partly responsible for the enormous growth of the Organisations' budgets since then. The law states that the Central Bank of Iraq may legally lend to the Government not more than 10% of the revenues anticipated in the budget. It is not entirely clear in detail what loans and debits the law does cover, as the very brief financial statements published by the CBI do not give sufficient detail to identify them. It has however become clear that the limitation is being interpreted as only applicable at the end of the financial year, 31st March, and even so the extra powers were not sufficient for long. The broad picture at least of recent end-of-year practices may be seen in the following:-

	<u>1969</u>	<u>1970</u>	<u>1971</u>
Ten percent of original Budget Revenues	52.5	61.5	71.8
Government securities held by CBI on 31st March	32.2	(45.0)	55.7
Hence other permissible CBI Loans to Government	20.3	16.5	16.1
Compare the actual figures of CBI loans to Government and semi-government			
at end February	62.4	79.6	86.0
at end March	10.8	17.7	9.4
at end April	64.0	79.3	94.6
Reduction February - March	51.6	61.9	76.6
Partly the reduction appears to be achieved by the transfer of "Cash Assets of the Organisations" to the Treasury, as mentioned earlier, for which the budget figures were:	18.0	47.1	34.4
leaving to be accounted for:	33.6	14.8	42.2

In 1969 and 1971 a special transaction took place whereby the CBI in March gave supplementary credits of 33.1 and 40.0 respectively to the "Commercial Banks" which then lent the sums to the Government, and the positions were unwound in April. In 1970 however an extra 35 million Treasury Bill issue was made and taken up by the CBI, perhaps in a special account. In considering the financial position the Iraq Government figures as at the end of March need to be examined with particular care.

It is curious to contemplate these efforts apparently still to comply with the letter of a pre-Revolutionary law. Another instance which may incidentally be cited is that the issue of Treasury Bills is limited, again by a 1950's law, to three times the capital of the CBI. It was desired in 1966 to increase the issue and Law 73 was therefore passed increasing the CBI capital from 15 to 25 million, stating however "if the increase in capital remains not paid up by the Treasury it shall be deemed to be guaranteed by the Treasury".

The figures in successive State budgets continue to grow and have quadrupled in six years, due mostly to the "Organisations". The process seems to be quite unrelated to any real growth in the Iraq economy. There is perhaps more intelligible information on the strictly Governmental side which will be shown in a further paper.

IRAQ GOVERNMENT BUDGETS 1967 - 1972

As published, the budget summaries read as follows:-

	Expenditures			Revenues		
	<u>72/73</u>	<u>71/72</u>	<u>70/71</u>	<u>72/73</u>	<u>71/72</u>	<u>70/71</u>
A. Ordinary Budget	346.9	332.8	257.5	331.5	332.8	257.5
B. Economic Plan	242.5	202.0	116.5	242.5	202.0	116.5
C. Organisations	644.0	459.2	379.3	569.0	417.1	344.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
State Budget	1233.4	994.0	753.3	1143.0	951.9	718.2
Deficit				90.4	42.1	35.1

In the preceding paper reasons were given for ignoring the "Organisations" figures in considering the governmental finances proper. It is also not really possible to distinguish between the Revenues of the Ordinary and of the Economic Plan, as the former have always included contributions from the Plan funds which are not recorded as Plan expenditure. Although this double-counting element has become small in the budgets for the three years shown above it may be doubted if it will still be small when the actual results are eventually known. In Attachment B therefore the Revenues are shown combined, while corresponding Expenditure figures are given in Attachment A.

It will be seen that the last year for which actual accounts have appeared is 1969/70. Such delay is normal and is one of the difficulties in trying to understand the real state of the government's finances. However for 1970/71 and 1971/72 certain "revised" figures have also been issued, after the end of the financial year so that they can hardly be similar to the minor revisions under individual headings which are usually made early in the financial year. They are reminiscent of figures which in the 1960's were issued and described as "Provisional" and on experience of these may be taken as a fair approximation to the actual ones which will finally appear.

Further, although the annual budget laws go into considerable detail on the allocations of expenditure and sources of revenue the actual results are reported in very abbreviated form. To confuse matters still further sections of one budget chapter under one ministry may be transferred to a completely different group of ministries in the report on actuals so that direct comparisons cannot be made. In the attachments various headings have therefore had to be grouped together in such a way that budget can be compared with actual. The tables give the last three years for which actual figures have appeared together with the three more recent budgets.

THE ECONOMIC PLAN

Legally 50% of Iraq's oil revenues are to be devoted to development, and writers of books and articles on Iraq still frequently state that they are so used. But ever since General Qassim transferred ID 53 million of development funds to the Governmental Departments in January 1960 the main truth of this statement is that oil revenues are so entered in the accounts. The full record of the Development Plans in the 1960's was given in note EC/CON/42 of September, 1971: and attention was drawn to the occasions in September 1966

and March 1969 when Ministers revealed that the Development Fund was showing an actual deficit although nominally having an accumulated credit approaching a hundred million dinars. Since that note the last of the Second Plan actual figures have appeared and may be summarised as follows - the final year's expenditure included effectively a write-off of ID 88.4 million:-

ECONOMIC PLANS - ACTUAL FIGURES (ID million)

<u>REVENUES</u>	<u>First Plan 1961/64</u>	<u>Second Plan 1965/69</u>	<u>Total Ap.61/Mar.70</u>
Oil Revenues (50%)	230.6	372.3	602.9
Foreign loans received	34.9	19.4	54.3
From Government Organisations	15.3	15.2	30.5
	<u>280.8</u>	<u>406.9</u>	<u>687.7</u>
 <u>EXPENDITURES</u>			
Development Investments Sectors	229.9	287.4	517.3
Foreign Loans Servicing	2.2	17.9	20.1
Ministries of Defence, Finance etc.	23.4	141.2	164.6
	<u>255.5</u>	<u>446.5</u>	<u>702.0</u>

The term "Investment Sectors", as used by the 1970/74 Plan, comprises the four main headings: Agriculture, including irrigation
Industry, including mining and power
Transport and Communications
Building and Social Services

Some commentators' misunderstandings occur because the figures of actual expenditure take a long time to appear - and then obscurely - whereas considerable publicity is given to the large sums being allocated under the various investment headings each year, more or less in conformity with the published Plan figures, without much reference to real expectations. For a brief period in 1970/71 an attempt seemed to be made to reduce the allocated figures rather nearer to the amounts which there was some likelihood of being spent, but the last two budgets have reverted to showing allocations which are quite impossible of fulfilment with the country's present human and physical resources. The capacity of these, as the text of the Third Plan points out, cannot be expanded too rapidly, and it is pertinent to note that the latest figure of actual Development Investment expenditure, ID 57.2 million in 1969/70, is the same as in the last year of the pre-Revolution Development Board 1957/58 and has hardly varied. Extravagant claims of future Development spending may be judged accordingly.

On the other hand the amounts which get transferred to the ordinary budget with or without acknowledgement do not become clear until two or three years after the budget is published. In the 1965/69 Development Plan there were also considerable sums allocated to the Ministry of Defence, and these were regularly over-spent (total ID 52 million against 35 allocated) in contrast to the record of the Investment sectors. This provision is not openly made in the 1970/74 plan but it may be doubted whether such expenditure will suddenly cease and it is possible that the "other" heading may largely provide for supplementing the defence budget.

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In our Provisional Note on the 1972/73 budget at the beginning of June mention was made of the completely new and unexplained entry "Anticipated Savings" of 52.6 for the revenue of the Economic Plan in 1972/73. On further consideration it is thought possible that it was an attempt to correct the total of allocations to a figure more capable of fulfilment, and that this roundabout procedure may have been adopted both for the financial reason of keeping high the state revenue figures and the political reason of not appearing to cut the development plan allocations, which had only recently been considerably increased with great publicity. Consequently it might have been realistic to subtract this sum from the Governmental totals of both expenditure and revenue, but that problem has been overtaken by the drastic reduction of all Development plans following the I.P.C. nationalisation.

ORDINARY BUDGET

Although a comparatively minor item, "Pensions" has been singled out in the table of expenditures as one item which has shown real actual growth and one which it would be difficult for the Government to cut - over half of the total is military. Defence and security is another item which the Government is unlikely to touch (except possibly on debt repayment) and on the record even when there has been financial stringency the actual defence expenditure has been considerably over the budgeted. The question marks against the budget figures for the investment sectors of the Economic Plan have been referred to above and probably the figures in the last two budgets need considerable reduction to resemble real prospective expenditure. On the revenue side some trouble is caused by apparently varying Government treatment of receipts under the national defence tax; in some reports a large part of the receipts under this heading appear to stray into customs and excise, to which they are in fact surcharges. However, it is hoped that the figures here can be taken to form a consistent series.

It has been observed that actual receipts from customs and excise bear a close relationship to the total value of imports of around 28 - 30%. As reports of the import figures are the earliest of Iraq actual statistics to appear an idea may be obtained of the extent to which the budget figures under this heading may be attained. In the recent note on Iraq's Foreign Assets it was pointed out that foreign loans have been considerably below budgeted figures, and even more extreme differences may be seen in earlier years. The receipts under numerous headings from the Government departments and organisations are taken as showing the real net contribution of all these organisations to the finances of Iraq.

Indeed with the highly centralised nature of the Iraq economy it becomes quite difficult to recognise all the items of government finance which are mere transfer payments. Stamp Duties are budgeted to produce Revenues of ID 5.6 million in 1972/73, but the Baghdad Observer (31st July) reports that the Ministry of Finance has realised these are now very largely paid by other government establishments and is trying to simplify them.

In the note on the 1972/73 Budget it was remarked that the cessation of hostilities with the Kurds in March 1970 and the withdrawal of the Iraq forces from Jordan in January 1971 appear to have produced no reduction in actual defence expenditure, as the figures in Attachment A will show. The former event was in time to affect the 1970/71 budget and the reduction of ID 20.5 million from the 1969/70 budget is of interest, as in the mid- 1960's this was about the figure independent observers were reckoning as the cost of the civil war. On the other hand the back of any reduction in the budget

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figure for 1971/72 may be contrasted with the frequent claims Iraq leaders had made that the effort of its forces against Israel were costing the country ID 60 million a year.

Although sums up to the ID 36 million were talked of in the spring of 1970 for the rehabilitation of Kurdistan, budget allotments for the special Ministry of North Affairs have only been 2.7, 2.0 and, this year, 1.2, while there are indications that actual expenditures have been well below budget. It is to be presumed though nowhere made clear that some of the expenditures of other Ministries are also for the Kurds, otherwise dissatisfaction may be expected to grow.

The final paper of this series reviewing Iraq budgets will consider the relationship of the budgetary figures with other regular indicators of the government's financial position.

Iraq Government Sector Finance
Ordinary and Economic Plan

EXPENDITURES

	1967/68		1968/69		1969/70	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>ORDINARY</u>						
Defence & Security	74.8	83.8	90.8	111.0	126.4	142.1
Pensions	12.0	14.7	14.0	16.4	15.0	18.6
Finance and Economic	23.3	29.7	26.7	33.4	30.3	36.5
Other Government Departments	77.2	77.3	87.3	81.1	96.3	91.1
	<u>187.3</u>	<u>205.5</u>	<u>218.8</u>	<u>241.9</u>	<u>268.0</u>	<u>288.3</u>
<u>ECONOMIC PLAN</u>						
Investment Sectors	112.5	61.6	123.8	54.3	70.0	57.2
Defence	10.2	5.0	6.3	5.7	15.9	17.3
Loan repayments & Interest	3.7	2.3	7.7	4.4	8.6	7.8
Other	26.1	-	12.5	-	16.9	10.0 (a)
TOTAL	<u>339.8</u>	<u>274.4</u>	<u>369.1</u>	<u>306.3</u>	<u>379.4</u>	<u>380.6</u>

Note (a) INOC Capital. Also recorded as Actual Economic Plan expenditure for this year was 25 grant to the Ordinary Budget, plus write-off of 53.4 grants in earlier years not previously recorded.

	1970/71 Budget		1971/72 Budget		1972/73 Budget
	<u>Original</u>	<u>"Revised"</u>	<u>Original</u>	<u>"Revised"</u>	<u>Original</u>
<u>ORDINARY</u>					
Defence & Security	105.9	152.1	150.5	171.6	148.2
Pensions	18.5	21.2	21.7	24.0	25.0
Finance and Economic	37.7	37.2	42.6	45.0	42.7
Other Government Departments	95.4	108.2	118.0	130.0	131.0
	<u>257.5</u>	<u>318.7</u>	<u>332.8</u>	<u>370.6</u>	<u>346.9</u>
<u>ECONOMIC PLAN</u>					
Investment Sectors	84.3		166.0		194.0
Loan Repayments & Interest	8.1		11.9		9.0
Loans to State Organisations	5.8		7.7		29.1
Other	18.3		16.4		10.4
TOTAL	<u>374.0</u>		<u>534.8</u>		<u>589.4</u>

Iraq Government Sector Finance
Ordinary (O) and Economic Plan (E)

REVENUES

	1967/68		1968/69		1969/70	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Oil (O and E)	140.0	151.6	145.7	174.7	170.0	169.0
Other Direct Taxes O	19.5	19.5	30.0	23.3	27.8	27.6
Customs and Excise O	50.0	43.7	52.0	47.8	62.0	55.6
Government Departments) O	23.5	26.4	17.4	22.4	42.5	41.0
and Organisations) E	4.2	1.2	2.9	0.8	2.1	1.0
Other O (a)	18.0	25.1	31.3	22.3	29.4	28.5
Foreign Loans E.	12.0	3.8	5.4	3.5	27.7	4.2
	<u>267.2</u>	<u>271.3</u>	<u>284.7</u>	<u>294.8</u>	<u>361.5</u>	<u>326.9</u>
Excluding double-counting of transfers from Economic Plan to Ordinary revenues totalling:	20.4	20.9	11.7	14.1	16.7	14.5
With Expenditures as in (A)						
DEFICIT	72.6	3.1	84.4	11.5	17.9	53.7

	1970/71 Budget		1971/72 Budget	1972/73 Budget
	<u>Original</u>	<u>"Revised"</u>	<u>Original</u>	<u>Original</u>
Oil (O and E)	170.0	204.2	354.0	342.0
(Oil Actual)		(211.2)		(296.9)
Other Direct Taxes O	42.4	35.2	39.0	39.4
Customs & Excise O	77.7	65.7	77.7	82.2
Government Departments) O	31.7	34.4	29.2	28.7
and Organisations) E	9.5	9.5	8.8	7.8
Other O (a)	25.8	37.4	8.3	8.2
Foreign Loans E	16.9	16.9	16.0	10.9
"Anticipated Savings" E	-	-	-	52.6
	<u>374.0</u>	<u>403.3</u>	<u>533.0</u>	<u>571.8</u>
Excluding as above	-	6.9	1.8	2.2
BUDGETED DEFICIT	0	31.9	1.8	17.6

Note (a) Consists largely of National Defence Tax and Duties. Very small element from Economic Plan.

In 1970/71 includes 5 Domestic Loans.

IRAQ BUDGETS AND GOVERNMENT FINANCES

This is the last in the series of papers reviewing Iraq budgetary procedures, and relates the figures to other government financial statistics. In the previous note on the "Organisations" special governmental transactions which have occurred at the end of the financial year were remarked upon. Figures at the end of the calendar year may be taken as more truly representative of the normal position:-

End of year	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u> (Nov. Approx)
Claims on Government						
by C.B.I.	17.3	37.5	48.4	68.2	64.1	118
by Commercial Banks	35.8	39.9	55.6	83.6	63.0	97
Total	<u>53.1</u>	<u>77.4</u>	<u>104.0</u>	<u>151.8</u>	<u>127.1</u>	<u>215</u>
Government Deposits						
with C.B.I.	19.3	16.0	22.3	41.4	32.1	39
with Commercial Banks	20.9	31.4	27.8	40.1	56.8	82
Total	<u>40.2</u>	<u>47.4</u>	<u>60.1</u>	<u>81.5</u>	<u>88.9</u>	<u>121</u>
Government Banking Debit: Net	12.9	30.0	43.9	70.3	38.2	94
Government Bonds	11.0	11.0	8.0	18.0	24.0	24
Treasury Bills	65.0	75.0	75.0	75.0	85.0	85
Total Internal Debt: Net	<u>88.9</u>	<u>116.0</u>	<u>129.6</u>	<u>163.3</u>	<u>147.2</u>	<u>203</u>

The foreign debt total in the same five years rose only from 73.1 to 84.1 (end June 1971) with loan repayments to USSR having exceeded fresh drawings, but a new loan received from IPC of £20 million in October 1970. It is noted that a further IPC loan of £10 million on 19th June 1971 had not been included in the list at the end of that month, and it is becoming a matter of doubt whether there are other loans now not being recorded, apart from those which are military secrets, and from short-term credits.

Parallel with the 130% rise in internal debt, currency in circulation rose by 50% from ID 120 to 180 million, while the consumer price index yearly average was 121 for 1971 against 99 for 1966. The slow rise in the index, against apparently inflationary rises of money and debt, needs explanation. Part of the reason is that the index is heavily weighted for staple foodstuffs, and with much of the supply in the hands of State trading organisations controlled prices have been the rule. But the graph attached, it may be thought, demonstrates the main explanation. The Internal Debt is essentially the credit extended to the Government by the Central Bank, which besides short-term credits has to take up most of the government securities issued while also having control over the principal activities of the nationalised "Commercial Banks". The total of debt has been rising because of continual budgetary

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deficits. The Central Bank also manages all foreign exchange transactions and in previous papers the suspicion has been expressed that large but unacknowledged official outflows have been occurring. In EC/CON/46 of January 1972 it was suggested that the entry "Net errors and omissions" in Iraq's Balance of Payments statements to the IMF has for some years now been largely deliberate omission.

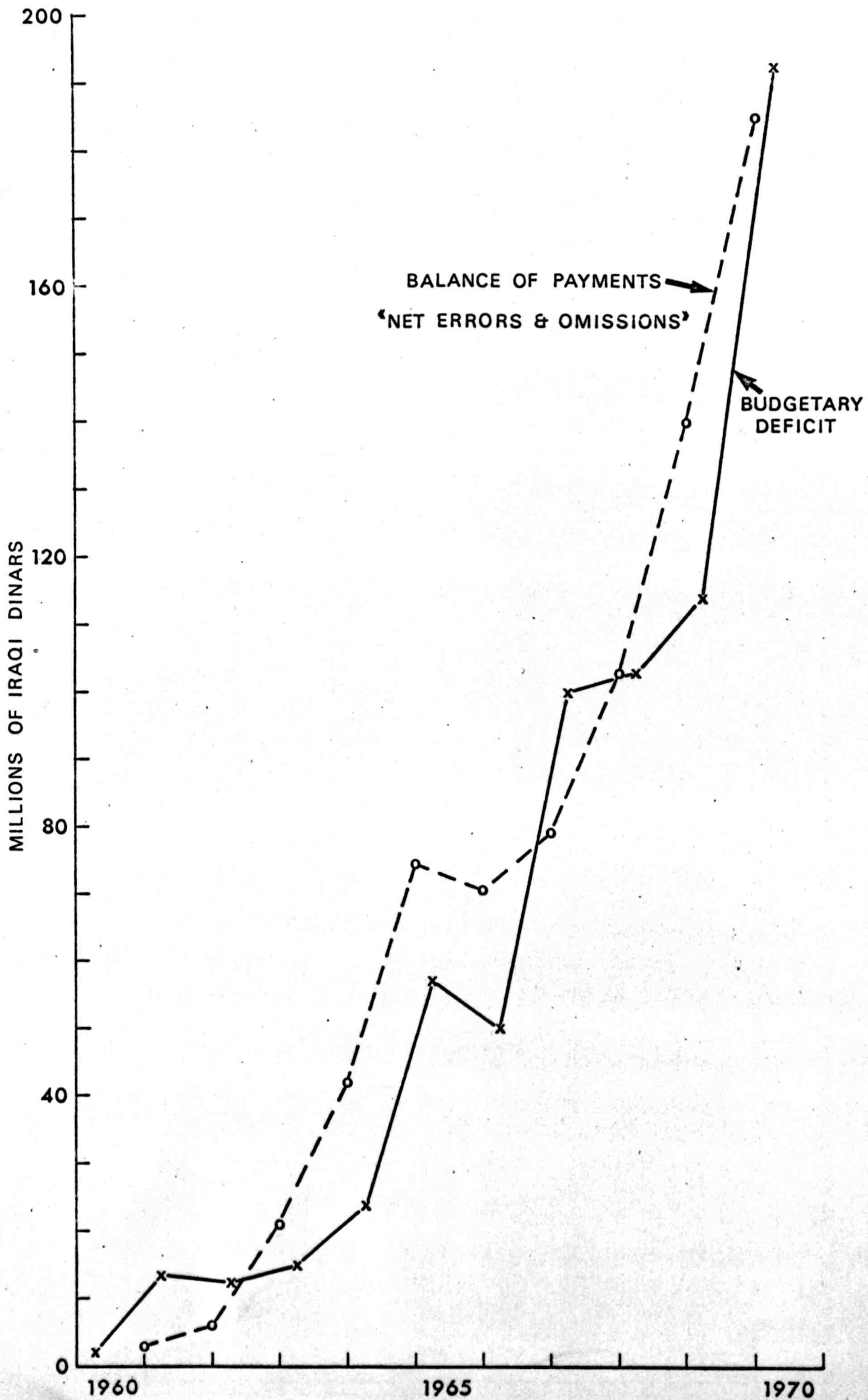
The graph compares the cumulative total of these entries, ID 185 million at 31st December 1969, with the cumulative actual budgetary deficits, ID 193 million at 31st March 1970 - taking the Ordinary and Economic Plan funds combined for reasons already stated. There is no theoretical economic connection between the two, but clearly there is a real connection on the finances of Iraq. It is suggested the link is arms debt repayments. In the present Iraq financial system the 'actual' defence expenditure of ID 142.1 million in 1969/70 means cash outgoings of this total; the proportion for wages and allowances in the budget (the actual is not given) were ID 58.4 million. Five years earlier, in 1964/65, the corresponding figures were 67.8 and 23.1, and the totals for the nine years 1961/70 are 729 and 312 respectively. Arms imports are not of course entered in the foreign trade statistics, nor is there any other heading in the standard Balance of Payments statement which is thought to represent this account, yet they certainly take place. Generally in Iraqi Ministries, budgets for all administrative costs are around half those for wages; if that were the case for Security also the total expenditures for the years 1961/70 would have been under ID 500 millions, so well over 200 of what has actually been paid out should represent special Defence requirements.

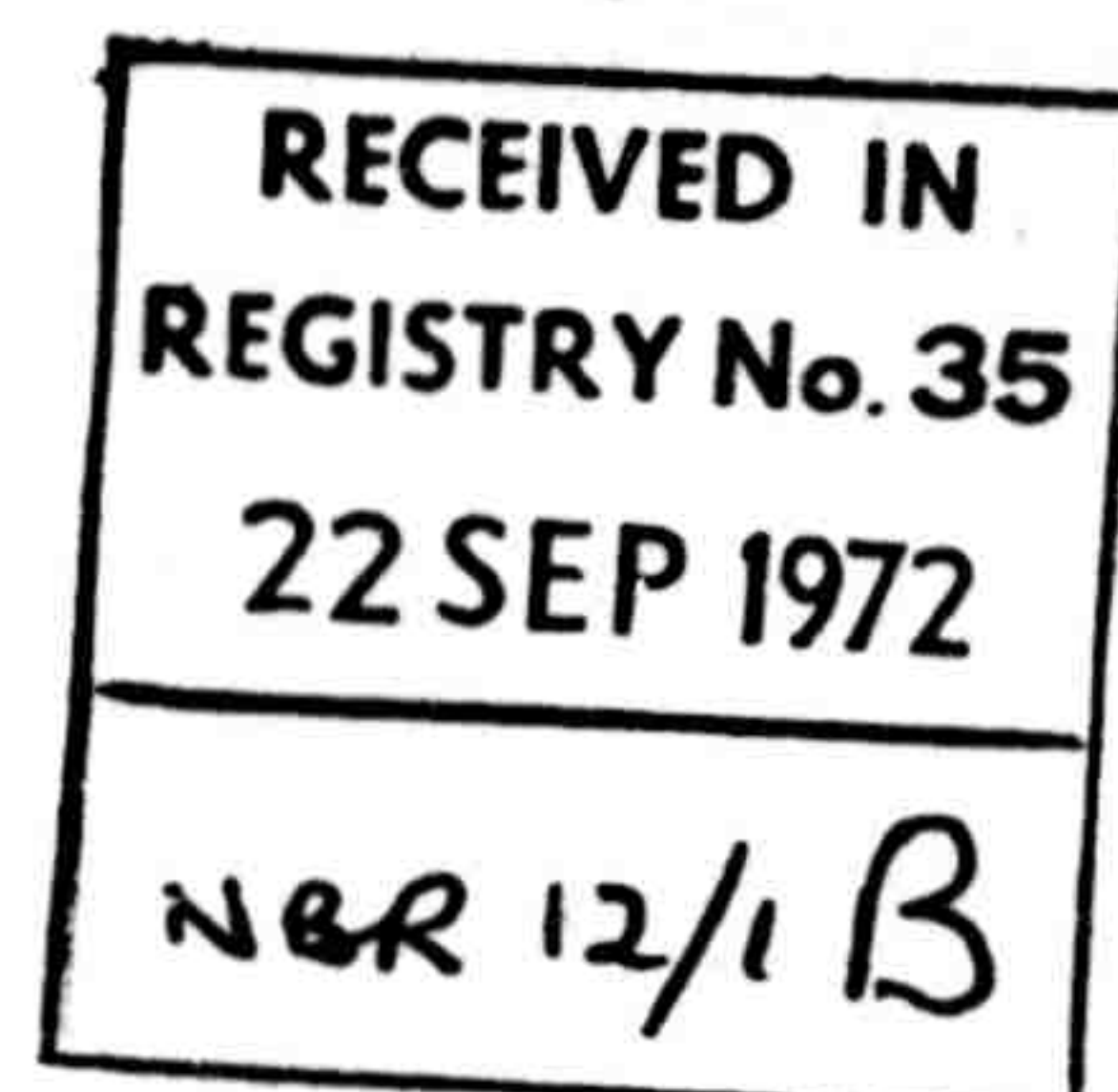
As to how it has been possible to finance such deficits it was noted at the end of 1966, when the Syrian government closed the pipelines, the Foreign Assets of Iraq were officially reported as ID 116.4 million, of which 33.3 were an advance on oil revenues on 29th December. The fact that some 80 million appeared "unavailable" at a critical time then required explanation. When the Balance of Payments Yearbook (April 1968) published the 1966 Iraq statement it could be calculated that cumulative "Net errors and omissions" had increased by ID 76.4 million, from the end of 1960, at which date Foreign Assets had stood at 91.9. Even without this hindsight it was surmised that the reserves might then in reality be exhausted. In the next three years the total "Net errors and omissions" increased to ID 185.0 million while the reported Foreign Assets rose to ID 170.1 million.

At the start of this series of notes on the Iraq Budget it was intended to refer to foreign exchange only briefly. That has not proved possible because the oil revenues arrive in the form of foreign exchange, and what is done with the oil revenues is as fundamental to Iraq budgets as it is to every other aspect of the country's finances.

IRAQ GOVERNMENT FINANCES

CUMULATIVE FROM 1951





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B/PUB dc
A/MET sl

19 September 1972

Commercial in Confidence

J Ashwood Esq
GRE Dept
DTI
1 Victoria St
London SW1

Oil Barter Deals in Iraq

1. Please refer to your unnumbered GREDA telegram of 2 September, 1972 conveying a message from APV International to the President of the State Organisation for Chemical and Food Industries here.
2. The message was duly passed on, in a letter from me dated 3 September, 1972, with copies going to the others mentioned. We have not yet had a response, and we understand that all three offers are still under consideration.
3. Another case in which oil barter has raised its head is in the projected supply of CKD bus bodies for the State Engineering Industries Company at Iskandariyah, in which Metal Sections Ltd are very interested. Metal Sections, being a Tube Investments subsidiary, should be well briefed, but there will almost certainly be others less informed.
4. While the question of barter deals is entirely for the commercial judgement of the traders concerned, the special factors in the present Iraqi situation need to be pointed out. I am, of course, referring to the Iraq Petroleum Company's claim on the oil, and its many statements about taking legal action against those receiving it. This applies to oil from the new North Rumaila field in southern Iraq. As far as the oil from Kirkuk is concerned, there is a grace period while the mediation efforts are under way, at present expiring on 12 October, but likely to be extended. ECGD's unwillingness to cover barter deals is another factor, although it is perhaps not beyond the ingenuity of some brokers to disguise barter as normal transactions.
5. I am copying this letter to Smith in Middle East Dept, Foreign and Commonwealth Office, Scott in ECGD and to Belam in GRSB.

P Donovan

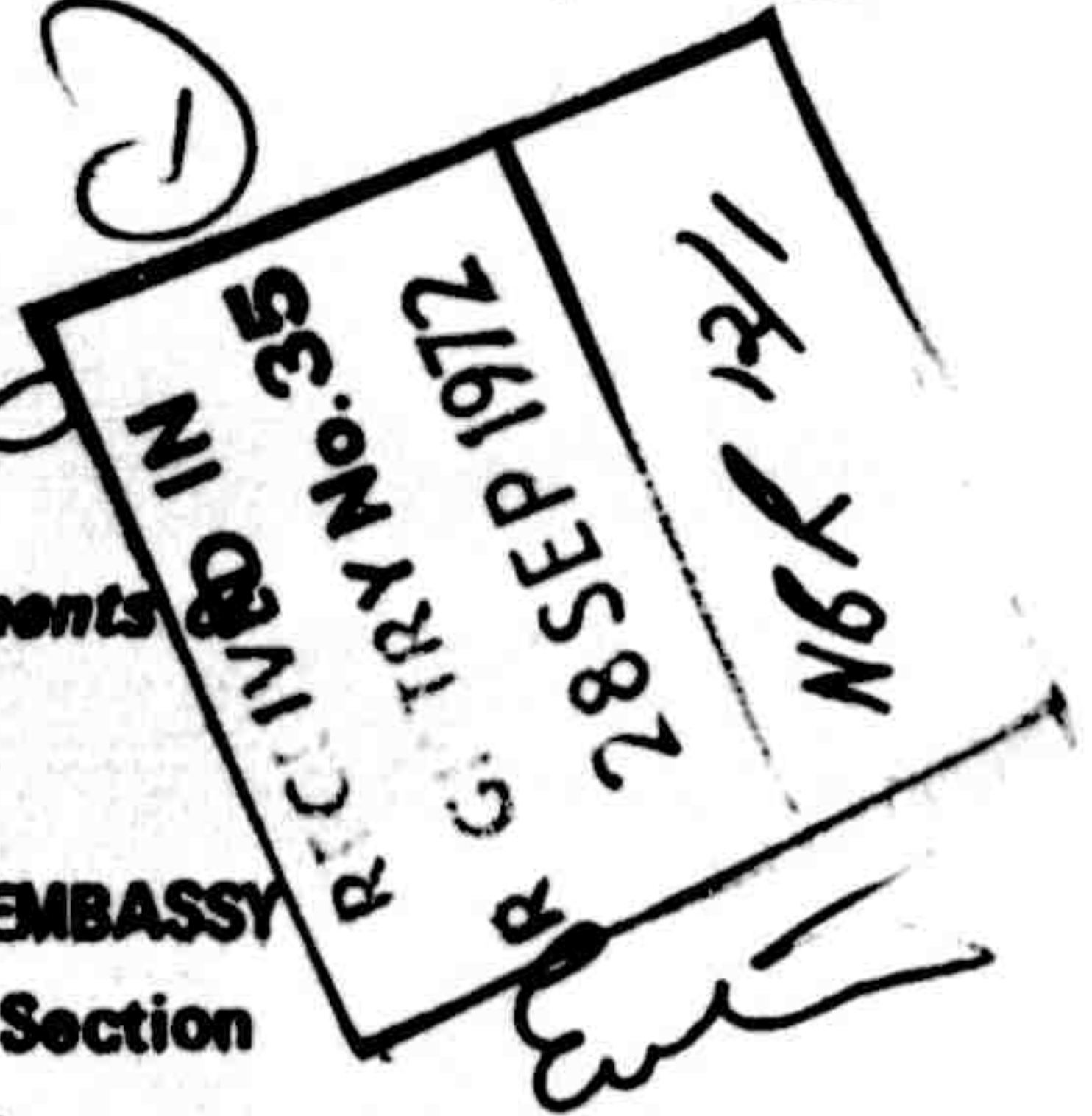
B Smith Esq (53)

M E D

F

With the compliments

ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD



also copied to J Ahwood,
CRE Dept, DTI & I C Scott
EZGD

~~XXXXXXXXXXXX~~

23/9/72

23/9/72

YUGOSLAVIA TO PURCHASE IRAQI OIL

JAZRAWI SIGNS AGREEMENT WITH YUGOSLAV ESTABLISHMENT

An agreement was signed yesterday at the House of the Ministry of Industry to sell half a million tons of crude oil to a Yugoslav establishment.

This agreement was signed on the fields of the Iraqi Company by **Sd. Taha al-Jazrawi**, INOC member and Minister of Industry on behalf of the Iraqi side while **Mr. Sabinovich**, Vice Chairman of the said est.

attempts of the talks and only that the desire for real cooperation between the two sides will enable to put into execution the agreements we have reached and the next few days will see a number of contracts and agreements.

In reply to al-Jazrawi's speech **Mr. Sabinovich** said that the conclusion of such agreements came as a result of the political and economic agreements between the two countries which is due to the policies



establishment signed on behalf of the Yugoslav side.

The five-year agreement stipulates that the Yugoslav side shall buy half a million tons of the crude oil extracted from

better Yugoslav equipment, plants and materials manufactured by the said establishment. The Yugoslav side will also carry out a number of industrial projects.

In a speech of welcome, **Sd. al-Jazrawi** described the conclusion of such an agreement as a positive step in the relations between the two countries and said that the direct contacts between the Iraqi and Yugoslav sides and the results achieved today provide favorable chances for the promotion of economic relations between Iraq and Yugoslavia.

He added: "We regard the purchase of half a million tons of the nationalized oil as an important and basic initiative".

The Minister of Industry promised the Yugoslav side to make efforts to expand the imports of Yugoslav goods and plants to Iraq confirming Iraq's desire expand the relations between the two countries. He expressed the hope that the Yugoslav company would buy the nationalized oil in accordance with the desire of the Yugoslav officials on top of whom was President Tito.

Meanwhile, **Sd. al-Jazrawi** paid tribute to the positive

pursued by the two liberated states without any pressure.

He added that this agreement was only a beginning and that efforts will be made to import larger quantities of crude oil so as to consolidate and strengthen such relations.

Later on, a contract was signed yesterday evening at INOC Oil Headquarters with the Yugoslav Establishment providing for supplying to the latter crude oil produced from the fields of the Iraqi Company for Oil Operations.

Deliveries, which are to begin at once the last quarter of this year, will be at the rate of half a million tons a year. This rate may know be increased in the future.

The contract was signed by **Mr. Sabinovich**, Director-General of Marketing at the INOC and **Sd. Sifao Sabinovich**, Vice-Chairman of the Yugoslav Establishment.

The contract follows an agreement signed earlier in the day with the same establishment by **Sd. Taha al-Jazrawi**, INOC Member and Minister of Industry. — INA

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IRAQ AND USSR SIGN ECONOMIC AND TECHNICAL COOPERATION PROTOCOL

Moscow, Tuesday. Committee for Foreign Economic Relations as the Council of Ministers. Dr. Qadouri is one of several senior Iraqi officials who accompanied President al-Bakr during his five-day visit and stayed here for completing technical details of questions agreed upon with Soviet officials.

Iraq and the Soviet Union this afternoon signed a protocol for the two countries economic and technical cooperation in the fields of irrigation, drainage and electric power. A special document for promoting trade and economic relations between the two countries was also signed.

The protocol and document were signed by Dr. Fahri Qadouri, Member of the RCC Economic Affairs Office and Mr. Skatchinov, head of the State

18 September 1972

With the compliments of

**ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD**

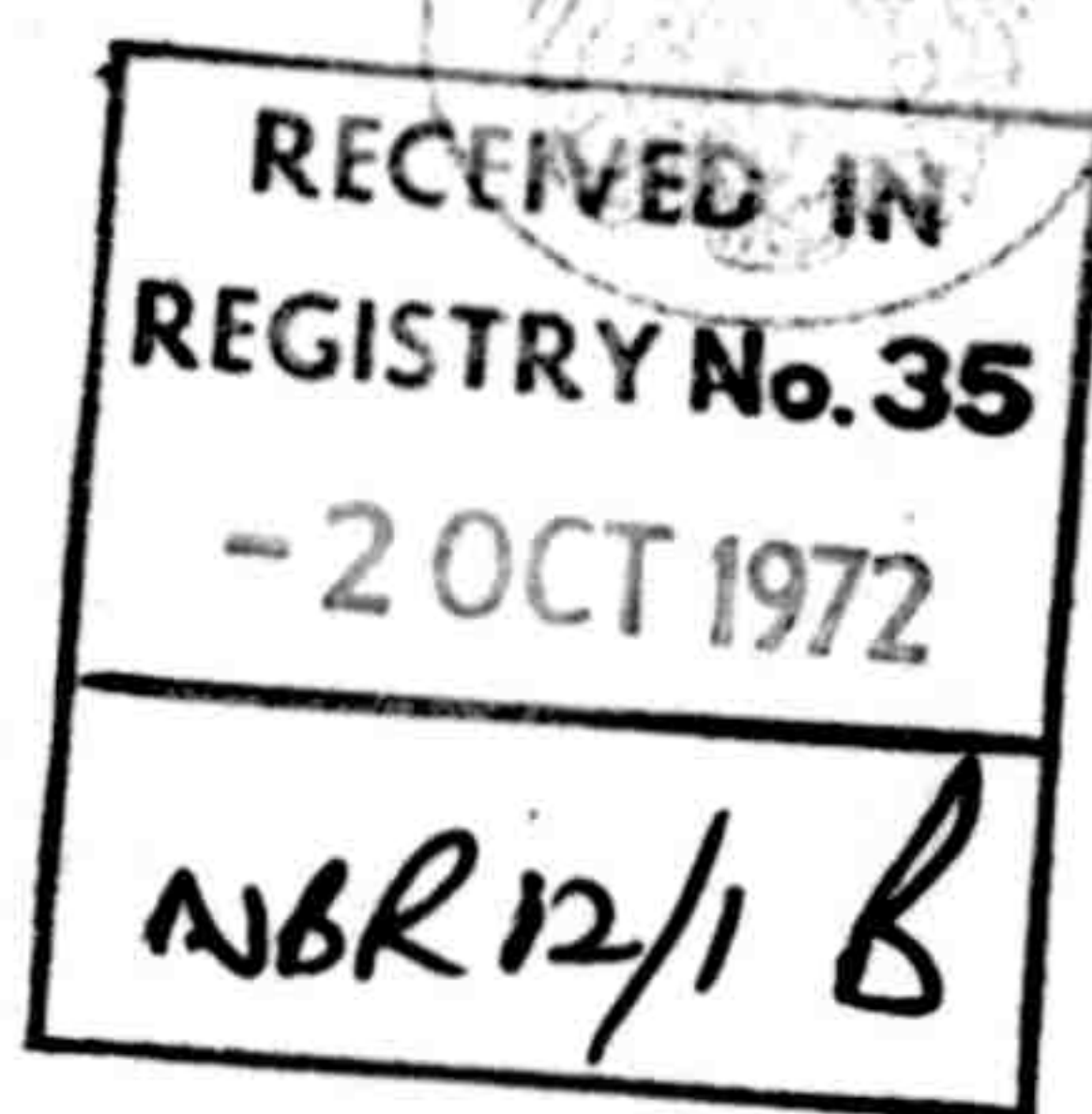
Brian Smith Esq
Middle East Dept
FCO
King Charles Street
London SW1

~~P.O. Box 2037, Alwiyah~~

A handwritten signature, possibly 'ASB', is written over the crossed-out address. To the right of the signature, the letters 'pa' are written vertically.

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BRITISH EMBASSY

PARIS

29 September 1972

12/5

G B Chalmers Esq
Oil Department
FCO

Mr. Syntik
M. Dancer
enter
4/5/72 ja

Dear Chalmers

THE IRAQ OIL SCENE

Recent contacts with Labouret and De Montague of CFP and Vignal at the Quai d'Orsay have provided an opportunity to learn something of current French thinking on the situation in Iraq. (Labouret is a senior official from the Quai d'Orsay seconded to CFP, who is responsible for international affairs and relations with the Government; De Montague has the status of a personal assistant to the Managing Director and has been conducting CFP's own negotiations with the Iraqis, and Vignal has recently taken over from Gadaud as the oil desk officer at the Quai).

2. De Montague's negotiations on the details of CFP's 10 year agreement with Iraq have now reached a point where only the question of the post 1975 price of the oil remains to be resolved. He is confident that this could be tidied up fairly easily. The Iraqis clearly agree because they have indicated to him that they will expect him to have authority to sign when he next visits Baghdad.

3. This of course he is at present precluded from doing by the terms of the Franco-Iraqi exchange of letters of June, so long as the IPC-Iraqi Government mediation has produced no basis for compensation of the company for its expropriated assets. Vignal told me that the Quai were now somewhat gloomy about the mediation prospects. Duroc-Danner had presented certain proposals covering arrangements both for the Kirkuk field and for territories expropriated under Law 80 to the Iraqis, but several Iraqi Ministers had described these to the French ambassador as quite inadequate. They had said that, whatever arrangements Yamani might make for Saudi Arabia,

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5. It may well be that this is all simply a misunderstanding. The Iraqi oil taken by Niarchos is scheduled for the Athens refinery which was hitherto supplied by Mobil, Shell and BP in partnership. Following nationalisation the Group arranged substitute supplies as provided for in their contract and it may be that a garbled report of this arrangement has reached the State Department. Unless, however, you see any objection I will ask BP what the situation is so that I can inform Mr Smith accordingly.



A C Hunt
Oil Department

2 October 1972

Copied to:

/ MED
SED
Mr Watts DTI

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compensation in Iraq would have to be based on a net book value formula, and complained bitterly at the IPC's continued policy of giving the resolution of the Law 80 situation equal prominence in a package deal. Vignal added however that the Quai were fully aware that there could well be negotiating reactions, and that they would be able to assess the situation more fully early next week when there had been an opportunity to debrief Duroc-Danner who had just returned from a journey to Baghdad to receive the official Iraqi reaction.

4. In the meantime, CFP still hope that the participation talks will ultimately form the third element of the triptych in Iraq by providing a basis from which a compensation formula can be negotiated.

5. As regards timing, CFP are themselves convinced that it will be quite impractical to expect all the complicated elements of this mosaic to fall into place by 12 October, and believe that IPC should agree to prolong the mediation period. On the other hand, their thesis is that, unless concrete progress, in the shape of signature of the CFP ten-year agreement and of conclusion of a compensation agreement, has been made by the end of the year at the very latest, there is a real danger that Iraqi patience will run out. In this case they might round on CFP accusing them of double dealing and playing the game of the other members of IPC. In such a mood they would almost certainly proceed to further outright nationalisation and, if this happened, there is a real risk that Kuwait would follow suit. The Iraqis would be unlikely to be deterred in this by the additional foreign exchange problems which would be created and almost certainly have an assurance from the Russians that they would, in such a situation, buy large quantities of Iraqi crude. If such a scenario did evolve, it would be against a background of increasing world demand and of a situation in which countries like Kuwait might increasingly join Libya in being content to cut back production in the short term and leave the oil in the ground to increase in value. The conclusion to be drawn from this analysis in the CFP view (and it is presumably this which their Managing Director has been trying to sell during his recent discussions with his opposite numbers from BP, Shell and Mobil) is that IPC should beware of adopting legalistic arguments which could lead to the breakdown of the mediation, and that, if necessary, the chain reaction which they fear should be averted by permitting CFP to sign their ten-year agreement even in the circumstances where a satisfactory compensation deal had not been worked out. Despite the prospect of increasing US purchases of Middle East oil, it is still, for the time being, the European nations which would be principally at risk in a new supply crisis involving



Iraq and Kuwait, and which therefore have the greatest interest in averting it. Shell, BP and CFP should therefore be prepared if necessary to use their combined majority in IPC to ensure this (though CFP do not rule out that it might be possible to win Mobil, whom they allege to be short of oil, to the same line of reasoning).

6. This analysis seems at first sight to make a number of assumptions about the political behaviour of the countries involved which are hard for us to assess from here, but which drastically affect its strength and validity. The main questions which it suggests are:

- (a) would the Iraqis in fact lightly throw over their relationship with the French and embark on a course of action which would render their dependence on the USSR almost total (Vignal was reluctant to be drawn to speculate on this, and we will pursue it with Rouillon on the political side of the Quai when an opportunity next arises);
- (b) is it in fact probable that a further crisis accompanied by additional nationalisation measures in Iraq would have as a probable consequence a decision by Kuwait to follow down the path of nationalisation rather than participation;
- (c) would the Russians in fact be likely and/or able to buy very large quantities of Iraqi oil in the event of a crisis. In the light of some of the analyses which you have produced in London, we had considered this unlikely. Both CFP and ERAP (who have been in touch again with the Iraqis about their own activities) have however derived the firm impression that the Iraqis are much more confident about their ability to dispose of very large quantities of "hot" oil now than they were in June.

7. Depending on the reception which it meets at senior levels in the Quai and at the Direction des Carburants, and with CFP's partners in IPC, it seems to us that we are bound to hear a good deal more of this line of reasoning as we approach a further period of complex and interlocking decisions on Middle East oil. It would therefore be helpful to have a preliminary assessment from you on the substance of the argument, and any suggestions as to how we should respond if it is developed further by officials.



8. If it does come to reflect French Government thinking, we should I think be prepared for it to be presented in a European energy context on the lines that there is much talk of the need to develop a European oil supply policy to reduce dependence on the political vicissitudes of producer countries. Here is an acid test case in which the willingness of Shell and BP to join CFP in giving the security of the European market priority over legalistic insistence on claims for compensation could be critical in averting a crisis.

9. In conclusion, I should perhaps underline that Vignal went out of his way to emphasise that it was in no way the intention of the French Government or CFP to "désolidariser" from CFP's partners in IPC. Neither did the CFP representatives give any hint that they would, at this stage at least, advocate the unilateral signature of their ten year agreement against the wishes of their partners. The emphasis was all on the persuasive reasons why the latter should - if the requirement arose - agree to it.

Tom
Alston

R J Alston

Copied to: D G Allen, Middle East Dept, FCO
R M Willmott, Washington
K B A Scott, Moscow
P G De Courcy Ireland, Kuwait

CONFIDENTIAL

55

RECEIVED IN REGISTRY No. 35 - 3 OCT 1972 NBR 12/1
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Mr. Smith to see
10/3/10
pr

Mr Keeble

IPC NATIONALISATION

1. Mr Tom Smith of the US Embassy (deputizing for Mr McGrath) called to see me this afternoon for what he described as an informal exploration of HMG's thoughts on "IPC strategy", with special reference to the deal on Kirkuk oil concluded in July between the Niarchos Group and INOC.
2. Mr Smith said that the State Department believed that the Iraqi dog should not be allowed to wag the OPEC tail and advocated a continued waiting game on Iraq while the general participation negotiations were still unresolved. This would entail the extension beyond 12 October of the 90-day period during which the IIC would not pursue Kirkuk oil and the continued agreement of the major companies not to take oil from Kirkuk themselves before a joint accommodation was reached with the Iraqis. However, the State Department believed that some of the Kirkuk oil involved in the Niarchos deal was being "switched" to BP and Mr Smith had been asked to seek more information on this.
3. I explained to Mr Smith that we certainly agreed that a broad settlement of the participation issue logically preceded IPC negotiations with the Iraqis; indeed this was exactly the way the companies and the Iraqis themselves were playing the matter. I understood, furthermore, that the companies were disposed to extend the mediation period in recognition of the fact that the absence of substantive negotiations so far was attributable not to Iraqi

/intransigence

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intransigence but to the extended timetable of the participation talks. I added, however, that we were contemplating an approach to the French Government about a possible further meeting of parent governments towards the end of this month to discuss what action, if any, these governments could take to facilitate a settlement; and that we should be asking the American and Dutch Governments for their views on such an approach very shortly. I confessed ignorance of any knowledge of a switch deal whereby BP were obtaining Kirkuk oil. Mr Smith himself had no details of the alleged deal but referred to it more than once in conversation and asked if I could let him know in due course what the facts of the matter were. He did not say that he was speaking on instructions but that he had been "invited" to make an informal enquiry.

4. At the time of the original conclusion of the Niarchos deal with INOC the US Government, at the instigation of Mobil, sought to engage us in a (to our mind) ill-judged last minute appeal to the Greek Government to avoid action which would prejudice the IPC's position, despite the fact that the IPC shareholding companies had themselves turned down an earlier similar request from Mobil for Company intervention. In due course Mr McGrath privately informed Mr Chalmers of his embarrassment at the heavy-handed American approach. The State Department would appear therefore to be treating the allegation that BP are somehow benefiting from Kirkuk oil extremely gingerly; otherwise I suspect that Mr Smith would have sought, in Mr Chalmers' absence, to see a more senior official.

15-9-72

RECEIVED IN
REGISTRY N. 35
- 5 OCT 1972

56

NBR 12/1

-3-

IRAQ

1. **USSR Agrees to Repayment of Loans by Iraq Entirely in Crude Oil:** Following his return to Baghdad from an extended visit to the Soviet Union and Bulgaria earlier this month (MEES, 8 September) the Iraqi Minister of Industry, Mr. Taha al-Jazrawi, stated that his discussions with Soviet officials had resulted in an agreement allowing Iraq to repay the utilized portion of all Soviet loans extended to it so far entirely in crude oil.

Loans and credits of up to \$394 million have so far been offered to Iraq by the Soviet Government and various state organizations, but only a small part of these have so far been utilized. Iraq has been pressing the Soviet Government since 1970 to consider larger purchases of Iraqi crude, as is recorded in an Iraqi-Soviet protocol signed in Moscow on 8 August 1970 and published in the Iraqi Official Gazette. In this document, the Soviet Union expresses readiness to consider the Iraqi request, provided that "the major portion of Iraqi crude oil should be exported from Mediterranean ports." This protocol also estimated Soviet needs of Iraqi nationally owned crude in the period 1973/74-1978/79 at about \$144 million worth, and reserves the right of the Soviet Union to re-export such crude if it so wishes.

NBA 12/1

(d 1972)

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"MEES" 22-9-72

2. Iraq-USSR Sign Agreement for Repayment of Loans in Crude Oil: Iraq and the Soviet Union have signed the agreement allowing Iraq to repay all loans extended to it by the Soviet Union in crude oil (MEES, 15 September). The agreement, signed in Moscow on 20 September, covers the period 7 June 1972-31 December 1980. It specifies the quantities of Iraqi crude oil which the Soviet Union will lift during the period of the agreement, but these have not been disclosed. According to an Iraq News Agency dispatch from Moscow, the application of the agreement would correct the trade deficit between the two countries. The agreement was signed for Iraq by Oil Minister Sa'dun Hamadi, who stayed behind in Moscow after the conclusion of the visit of Iraqi President Ahmad Hasan al-Bakr to Moscow on 19 September, and for the Soviet Union by Mr. Semyon Skachkov, Chairman of the State Committee for Foreign Economic Relations.
3. Iraq to sell 500,000 Tons of Crude to Yugoslavia: An agreement was signed in Baghdad on 19 September between Iraq and a Yugoslav organization under which the latter will purchase 500,000 tons of Kirkuk crude over a five-year period. Payment will be made partly in cash and partly in goods and equipment produced by the Yugoslav organization.

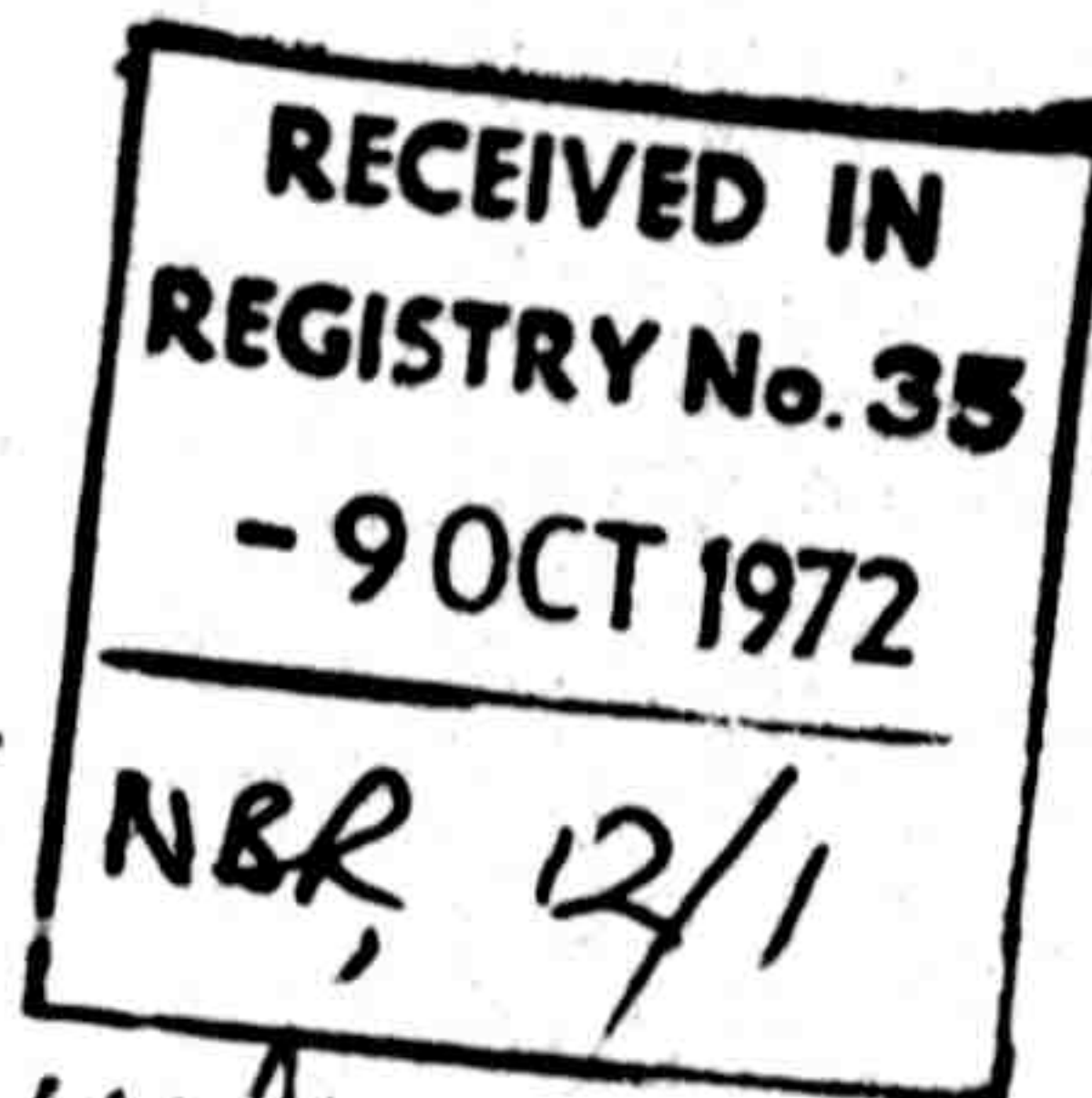
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pa



BRITISH EMBASSY

MOSCOW

12/6

Oil Department
FCO

4 October 1972

4089/10
fa*Dear Department*

IRAQI OIL AND EGYPT

1. Under the heading of "Useful Agreement" Izvestia on 2 October carried an announcement that Egypt and Iraq had reached agreement for the ARE to import 350,000 tons of Iraqi oil by the end of the year. According to the report the first tanker carrying Iraqi oil had already arrived in the port of Alexandria.

*Goms Wm.**Michael Robinson*

M J Robinson

cc:

MED, FCO
NENAD, FCO
EESD, FCOChanceries: Cairo
Baghdad

ROYAL SWEDISH EMBASSY
British Interests
Section



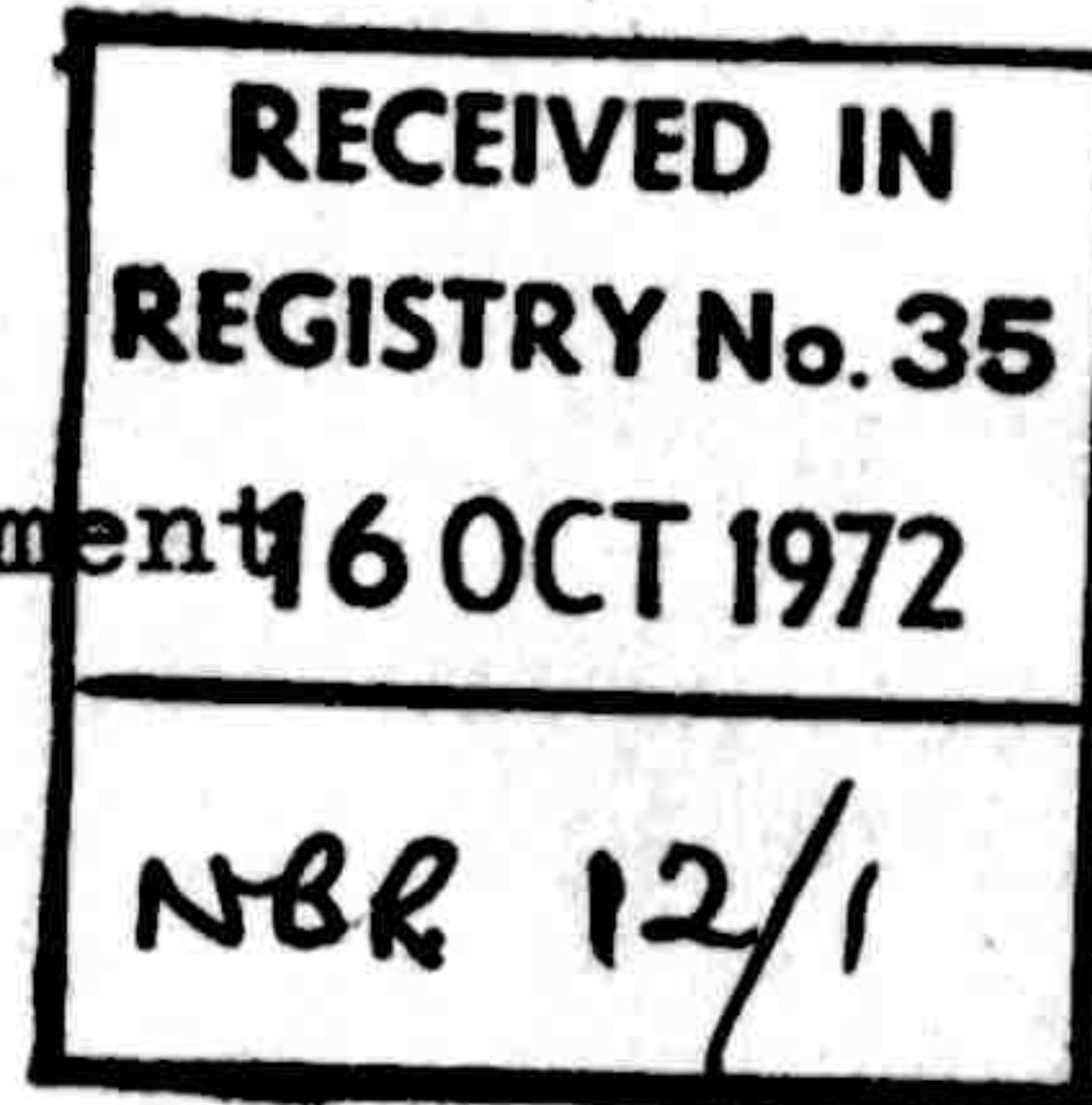
BAGHDAD

12/1

UNCLASSIFIED

10 October 1972

G S Burton Esq
Middle East Department
F C O



Mr. Burton to see 2/10
16/10

Dear Graham,

1. It was announced in Baghdad on 25 September that Said Abdul Fattah al Yasin has been appointed by the RCC as Chairman of the Iraq Company for Oil Operations, successors to IPC.

2. Fattah Yasin is a former Minister of Economics and has in the past been a member of the Iraqi team in negotiations with IPC. He is thought by the oil company to be a reasonable man with a grasp of his subject.

Yours ever,

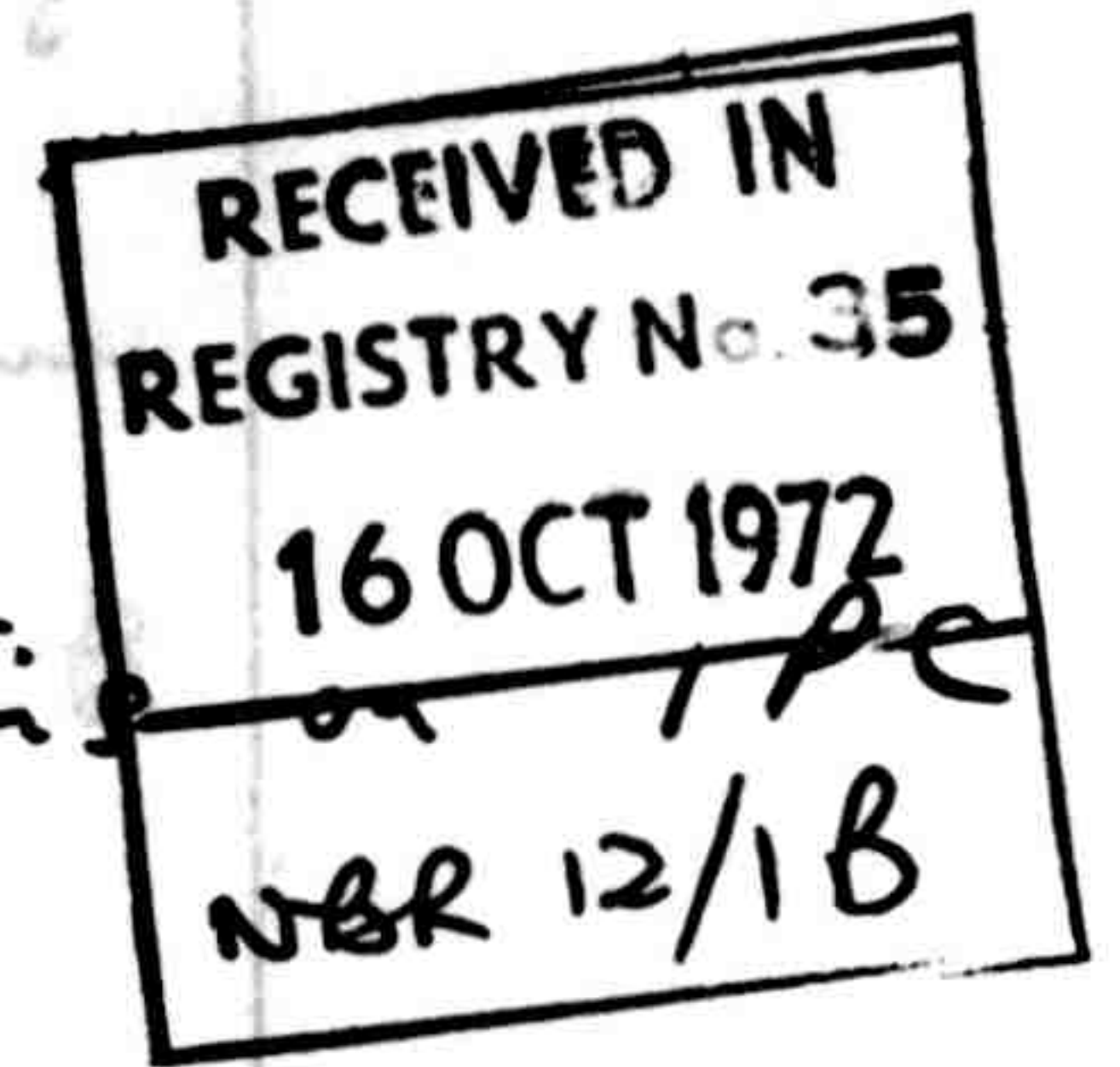
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I McCluney

c.c. Oil Department
F C O

~~M. Wright.~~

HMG's line on negotiations
compensation



Following the nationalisation of the IPC, HMG consulted with the other parent governments, French, Dutch and American at a meeting held in Paris to discuss the question of compensation. Though close contact has been maintained with these governments over the issue, HMG has not played any part in the subsequent negotiations between the company and the Iraqi authorities.

2. Two mediators, Dr Nadim Pachachi (the Iraqi government nominee) and M. Danner (a French director of IPC) have been appointed and ~~mediation~~ mediation has begun although an agreement has not yet been reached.

3. HMG hopes that France's standing in the Arab world will help to bring about an early settlement.

4. HMG is hopeful that the Iraqi authorities will pay prompt, adequate, and effective compensation and that Iraqi oil will continue to flow to the West.

5. The moratorium on action against purchasers of the nationalised oil has been extended by IPC to 31 December.

6. I have cleared the contents of this minute with Oil Department.

 11/11


Reference

RECEIVED IN REGISTRY No. 35 16 OCT 1972 NBR 12/1 B

Mr Burton *16/x*

M. Smith to see

1. I spoke to Mr Raymond Blackburn on the telephone this afternoon and discussed the question of the IPC nationalisation on the lines of your minute, for which many thanks.
2. Mr Blackburn did not have very much to say, although he was inclined to claim that the nationalisation was a breach of some treaty.
3. On the Kurds, he recalled that he had told my predecessor and Sir Geoffrey Arthur of an earlier remark by Mullah Mustafa Barazani that if HMG did not support him, IPC's oil would be nationalised within three years. Mr Blackburn commented that this prophesy had come true.



P R H Wright

Middle East Department

12 October 1972

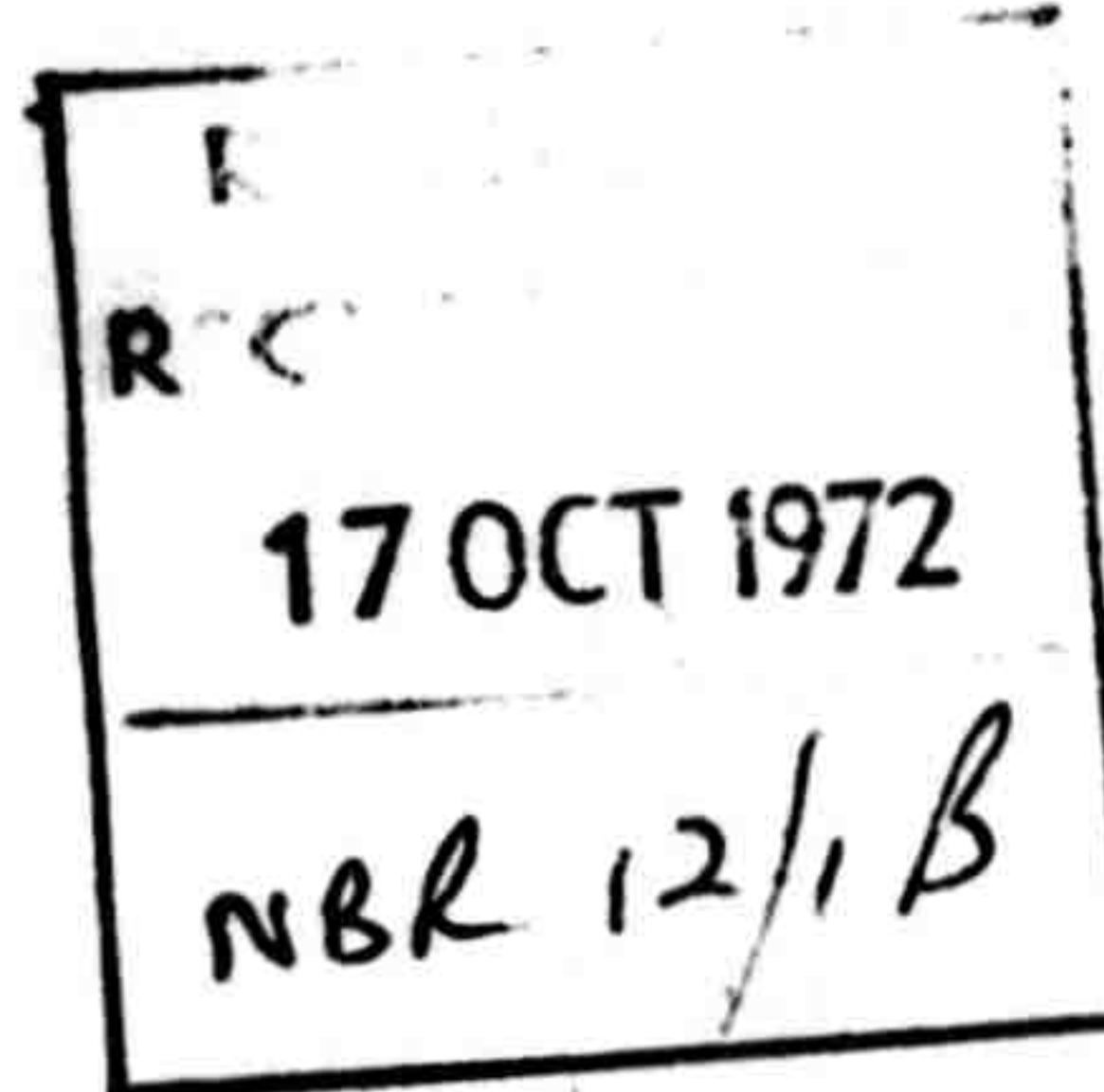
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12/10

G B Chalmers Esq
Oil Department
FCO



BRITISH EMBASSY

KUWAIT

11 October 1972

Mr. S. [unclear]
Mr. B. [unclear]
Mr. [unclear]

cdm

12/x

A useful reminder that there is
probably a strict limit to the
effectiveness of Iraqi pressure on Iraq.

12/x

12/x

IRAQI OIL SCENE

1. Please refer to Robert Alston's letter 12/5 of 29 — (54) September, in which he asked for our comments on CFP's view that if the Iraqis proceeded to further outright nationalisation, there would be "a real risk" that Kuwait would follow suit.
2. We have discussed this with KOC. Neither of us would regard it as at all probable in present circumstances. It is within the realms of the possible, if further Iraqi nationalisation measures coincided with some other major Arab crisis, but for so long as the Sabah are in power we would regard it as a very remote possibility (insofar as any possibility in the Middle East can be safely so regarded). The Kuwaitis took no action against KOC when the Iranians seized the Islands, nor again when the Iraqis nationalised IPC, though there was a good deal of local clamour and we must assume that they also came under considerable Iraqi pressure on both occasions. We cannot ourselves see a further bout of nationalisation in itself providing sufficient grounds to change Kuwait's basic attitude. The Kuwaitis (both the Minister of Finance and Oil and members of the Family) have repeatedly assured KOC in private that they do not intend to use oil as a political weapon and have said as much in public, most recently in Atiqi's outburst reported in my letter 12/9 - NBR 12/2 of 11 October to Don Allen (not copied to Paris and Moscow).
3. Both we and KOC are a little surprised at CFP's views because we do not regard this as a tenable general proposition, and still less so in the aftermath of Yamani's agreement with Aramco. We are inclined to assume that CFP are deliberately over-dramatising the present position in order to persuade their partners in IPC to move in the direction they wish. If they really believe it, as distinct from using it as a negotiating gambit, we can only say that either they are misguided, or else they have some titbit of information which we and KOC have failed to pick up. If there is something we have missed, we would be glad to have further details.

cc: ✓ D G Allen Esq FCO
R H Willmott Esq Washington
R J Alston Esq Paris
K B A Scott Esq Moscow

P G de Courcy-Ireland

The Syrian Government yesterday formally asked Iraq to pay transit royalties on crude oil shipped via Syrian territory for the past five months. RADIO DAMASCUS last night disclosed that yesterday's was the third request Syria has made.

The importance of the new request was in the fact that it was made by the Syrian Vice President, Mr Mahmoud Al Ayoubi, and not by any other Syrian official. The Radio said that Mr Al Ayoubi yesterday summoned the Iraqi Ambassador in Damascus, Mr Audah Ahmed Al Bayati, and asked him to deliver a message to Iraqi officials on the matter.

The message, the Radio said, emphasized the need for Iraq to pay transit royalties to Syria for the past five months, and pointed out that failure by Iraq to do this would not be in the mutual interest of the two countries. Thus far, the state-controlled Iraqi media have made no mention of the Syrian request.

It will be recalled that last June 1st, the Government of Iraq nationalized the concession and assets of the western-owned Iraq Petroleum Company (IPC). A few hours later, Syria announced the nationalization of IPC's pipeline inside Syrian territory as well as the company's loading facilities at the Mediterranean port of Banias. This is the pipeline which carries crude from IPC's nationalized Kirkuk fields in northern Iraq to Banias.

There were negotiations subsequently between the Syrian and Iraqi Governments on cooperation in the export of the nationalized crude. Some kind of agreement was said to have been reached, but it was never disclosed. Since the Iraqi Government has replaced IPC as exporter of Iraqi crude, it, therefore, is expected to take IPC's place in paying transit royalties to the Syrian Government. IPC transit payments to the Syrian government used to average about \$40 million annually.

Obviously, the reason the Iraqi Government has not paid Syria yet is because Baghdad itself is short of funds, and since the nationalization of IPC, the Government in Baghdad imposed tight austerity on spending.

Furthermore, the shipments Iraq has so far made after the nationalization were mainly barter deals and not for hard currency. No specific figures are yet available as to the level of pumping of Iraqi crude via Syria since the nationalization, but some estimate put it at an average of 25 million tons annually. This is only a little more than half of what IPC pumped in 1971.

13 OCTOBER 1972

Topic: Main News And Trends: Cont'd

This pumping was about 46.5 million tons.

That Syria is now pressing for payment of transit royalties may indicate that it too is feeling the pinch of nationalization. It will be recalled that the Organization of Arab Petroleum Exporting Countries (OAPEC) recently agreed to give Syria and Iraq some £60 to help them meet foreign exchange shortages arising from the nationalization. The loan, however, was to meet their requirements for the first three months after nationalization.

It would appear that Iraq wants Syria to wait until the issue with IPC has been settled. The OPEC mediation has now been extended to the end of the year, and IPC has agreed to avoid imposing an embargo on Iraqi crude exports during this period.

It is significant also that Syria has decided to make public its problem with Iraq regarding payment of transit royalties. It could be part of the pressure Damascus is applying to have Baghdad come up with the payments. But the whole matter raises a big question mark on 1) how successful Syrian-Iraqi cooperation in oil is expected to be; and 2) Moscow's reported efforts to bring the rival factions of the Baath Party which rule in Baghdad and Damascus together in one front. By its persistent demand for royalties, Syria has shown that under its money needs, it is not ready to wait until neighbouring Iraq had sorted out its own oil problems.

28 OCT 1972

cutting dated

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REGISTRY No. 35

31 OCT 1972

NBR 12/1 B

Iraq backs out of pact with oil companies

Iraq has finally decided not to be a party to the agreement on participation reached between the Arab oil-producing nations in the Persian Gulf and the Western oil companies.

But the four other nations—Saudi Arabia, Kuwait, Abu Dhabi and Qatar—will sign.

Iraq was one of the five nations on whose behalf Shaikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, has spent over nine months negotiating the settlement.

But according to oil sources, Iraq feels that its signature on the agreement might affect the present talks on compensation for its nationalization of the Iraq Petroleum Company.

Enter
Mr. Smith to see you
10/31/72

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31 OCT 1972
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OD156/1

B/DAI pdc

28 October 1972

I. G. Scott Esq
MOGD
P O Box 272
Aldermanbury House
Aldermanbury
London EC2P 2HL

Enter 1/11
Mr. Smith to see OK
Copy to Mr. Lahtinen, Oiled
11.11.72
WJ 31/X

Mosul Dairy Plant.

- N/R —
1. Please refer to your letter OD/156/1 of 19 October, 1972 about the approach from APV International Limited for cover on the supply, erection and commissioning of a milk products factory at Mosul.
 2. This project was included in the 1970-74 Development Plan, as amended in 1971. A sum of ID 620,000 was allocated for it, that is about £750,000. The project was to have commenced in the 1971/72 financial year and be completed in 1974/75, so it has already slipped a year.
 3. As you know, under the Austerity measures introduced following the nationalisation of IPC in June, the Investment Programme as a whole was reduced from ID 242m to ID 130.5m. The Industrial Sector, under which comes the Mosul and other dairy plants, was reduced from ID 60m to ID 27m, that is by just over half. Priority was to be given to oil industry projects. Non-priority projects were to be financed by barter, or postponed. Dairy and brewery plants came in the latter category, as postponable projects producing consumer goods for internal consumption.
 4. It is our impression that the Iraqi authorities have had little success so far in fixing up barter deals with western suppliers of capital equipment, and, if this lack of success with barter continues for much longer, they will be prepared to accept long term credits instead.
 5. Two executives (Messrs. Cooper and Brown) of APV International Ltd. arrived in Baghdad a week ago for high level negotiations on the dairy and brewery projects and are still here. They brought with them a London oil broker, who has since returned home without concluding any business, to the best of our knowledge.

cont...

6. You ask for our views. The Dairy Administration appears to be one of the best run state companies in Iraq. It has almost a monopoly of the supply of dairy products in the towns here. Its products are good, and the demand for them far exceeds the supply, and is likely to grow steadily as the general standard of living rises. In spite of the present difficulties, and the well known and chronic problems associated with erecting and commissioning plant in Iraq, I hope you will be able to give favourable consideration to a cover for the dairy plant at Mosul.

7. I am copying this letter to Ashwood in C R & E Div. DTI; and Smith in Middle East Dept., FCO.

P. Donovan.

66



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REGISTRY No. 35
- 3 NOV 1972

NBR 12/1

With the compliments of
OIL DEPARTMENT

2
 Mr. S. J. [unclear]
 11/11/11
 per [unclear]

FOREIGN AND COMMONWEALTH OFFICE

S.W.1



BRITISH EMBASSY

ANKARA

WCO 12/3

P G P D Fullerton Esq
Oil Department
FCO

24 October 1972

Mr. Chalmers 27/10
Mr. Larkins 27/10

Reg: cony MED 26/10
SED
Mr. Branson D.
and return with r/c.

Dear Mr. Fullerton,
TURKEY: OIL SUPPLIES

One of the questions discussed during the recent series of high level contacts between Turkey and Iraq (visits to Iraq by the Turkish Foreign Minister and Minister of Commerce and a brief stop-over in Turkey by the Iraq President - see John Harrison's letter of 19 September to Brian Smith and Dick Fyjis Walker's letter of 26 September to Mr Wright in MED not copied to all) was the possible construction of a pipeline to bring Iraqi oil direct to Iskenderun on the Mediterranean. As there is rather more going on than has been officially announced and there has been press speculation about Soviet interest it may be worth putting on record what we know. We should be interested in any additional information or comments that others may be able to contribute.

2. As background I am enclosing some figures on Turkey's oil supplies and refining capacity. As Table I shows domestic production in Turkey has levelled off in recent years so that the whole of the rapid increase in demand is being met by extra imports. In 1971 these cost \$ 121m, more than 10% of the total import bill. As demand is expected to increase by around 12% p.a. Turkey is clearly in the market for reliable supplies of oil on the best possible terms.

3. The much-discussed proposal for an oil pipeline from Ahwas to Iskenderun is not at present under serious consideration because of Iranian insistence on receiving Eastern Mediterranean rather than Gulf prices for the oil supplied - a demand that makes the whole project unattractive to Turkey and to other potential customers especially now that giant tankers make the freight costs direct from Iran relatively less important. There is no particular reason for Iran to make concessions to Turkey as she has no problem in marketing her oil elsewhere.

4. In present circumstances Iraq has much more to gain from a regular market in Turkey and the possibility of an oil pipeline from Bey Hasan to Iskenderun has been discussed both at the political level, as mentioned in para 1, and at a recent unpublicised meeting between Turkish and Iraqi experts in Ankara. From a quick glance at the map such a pipeline would be about the same length as the existing pipelines to the Mediterranean (and a good deal shorter than anything from Ahwaz). There are however a number of possible snags, both economic and political. In the first place we have been told by TPAO (the Turkish State Petroleum Organization) that

/production

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NBR 3/318/1



production at Bey Hasan would probably have to be increased before a pipeline would be viable. Even more important, the Turkish side is clearly not interested in buying Iraqi oil at the higher prices announced after the nationalisation of IPC. It has however been reported that the Iraqis agreed in principle, during the Turkish Minister of Commerce's recent visit to Bagdad, to supply oil to Turkey at world prices and that further technical talks will be held in Bagdad to reach agreement in detail. This would apply generally, not just to supplies through any future pipeline, but does seem a necessary pre-condition for progress on the project. According to TPAO the Iraqis have proposed that a refinery should be built at Iskenderun as a joint venture between the two countries and this would be welcomed by the Turks as long as the refinery was export oriented. (Refining capacity in Turkey is already greater than domestic demand but the Third Five Year Plan envisages the construction of a further refinery in order to meet requirements in full from 1978).

5. Up to the nationalisation of IPC BP were bringing Iraqi oil to the Mersin refinery through the existing pipelines to the Mediterranean and the reluctance of the Ministry of Foreign Affairs to give anything away on the talks with the Iraqis may be connected with the fact that the IPC compensation issue has not been settled. When we asked TPAO about the effect of the proposed new pipeline on relations between Iraq and Syria we were told that the project might be presented at the outset as supplying Turkey's needs alone. It seemed to TPAO however that the Iraqis might consider a route to Iskenderun safer and therefore able to provide a more regular service to their customers than any route through Syria. The main worry for the Turks on the political side however must be over the stability of the Iraqi regime and the desirability of embarking along with it on a fairly long term and expensive undertaking. I might add that ENI of Italy are apparently closely involved with the proposals and expected to carry out the feasibility studies. It has been suggested that the construction contract might also be awarded to ENI and not put out to international tender.

6. The first reference we saw to Soviet interest in pipelines to bring Iraqi oil through Turkey was last August when reports taken from the French weekly "L'Express" referred both to a 40,000 ton capacity pipeline through Syria and Turkey to Batum on the Black Sea and to a pipeline from Kirkuk to Iskenderun. It has since been suggested several times that the subject of the pipeline to Batum was raised during the Turkish Minister of Industry's visit to Moscow in September. It is not easy to see why the Soviet Union should be interested. They hardly need regular supplies of Iraqi oil and even if one assumes their intention would be to re-export the oil, the construction of a pipeline (especially one to Batum which would go through very difficult terrain) seems a rather high price to pay for control of part of Iraqi production. It has however been suggested that some of the costs might be met by the Turks in return for

/additional



additional capital aid and technical assistance from the Soviet Union. We were told by the MFA that the press reports about the project were unfounded. On the other hand TPAO told us they believe the Russians are very interested.

7. To complete the picture I should add that discussions are still continuing on the proposed natural gas pipeline between Kirkuk and Batman. The Turks are trying to establish which industries could use the gas. Their intention is apparently to encourage the development of industry in Eastern Turkey rather than to carry the gas on to the present industrial centres.

Yours sincerely,
Anne Stoddart.
A E Stoddart (Miss)

cc

N J Pinch Esq
CRE4 DTI

Chanceries : Tehran
Moscow

Enc.



ANNEX

Table I : Turkish Oil Supplies and Production
(tons)

	<u>1970</u>	<u>1971</u>	<u>1972</u> (Jan - June)
Domestic Production	3,542,513	3,452,487	1,656,255
Imports of Crude	3,868,264	6,189,951	3,488,418
Output of Refined Products	5,393,720	7,747,371	4,320,956
Exports of Refined Products	302,833	132,484	301,763

Table II : Turkish Refineries

	Capacity	Crude Processed Jan - June 1972	Source
Batman (TPAO)	1.2m	359,773	Domestic production
Ipras, Izmit (TPAO)	3m (being extended)	2,425,244	75% imported mostly from Saudi Arabia
Ataş, Mersin (BP, Shell, Mobil)	4m	2,121,183	60% imported mostly from Iraq
Aliaga, Izmir (TPAO)	3m	On stream June 1972	

2. **Iraq, Syria Air Grievances on Transit Fees Dispute:** The dispute between the Governments of Iraq and Syria over oil transit payments has erupted into the open with a public exchange of recriminations in official statements this week (see full text at the back of this issue).

Briefly, the Syrian position appears to be that the act of nationalization of the IPC pipeline system in Syria automatically entitles the Syrian Government to double the transit payments it was receiving from IPC before nationalization. The argument adduced in support of this contention looks to be a rather simplistic one: since the original basis for Syria's agreement with IPC was a 50-50 sharing of the savings accruing from the use of the Syrian pipeline (i.e. rather than exporting Kirkuk oil via an Arabian Gulf port), the nationalization of IPC's supposed half share should therefore give Syria the right to double its revenue.

In cash terms, this would entail a doubling of Syria's transit royalties from about \$0.22/barrel before nationalization to \$0.44/barrel after it. Furthermore, the Syrians are demanding a minimum guaranteed revenue, reflecting more or less maximum capacity of 55-60 million tons/year, regardless of the actual volume of throughput. In addition, the Syrian Government is asking for a flat payment of £10 million per annum to cover operation and maintenance costs (which would work out at some 6.4 cents/barrel for a throughput of 50 million tons/year).

The Iraqi position, on the other hand, is that Iraq is prepared to guarantee Syria (i) the same per barrel transit payments as prevailing under the pre-nationalization arrangements with IPC, plus (ii) a certain percentage of the profits realized on the marketing of Iraqi crude via Banias. Alternatively, Iraq affirmed its readiness to apply any other formula for calculating transit dues which is operative in similar cases between other countries, whether Arab or foreign.

EGYPT

3. **CFP Signs Agreement for Use of Sumed Line:** CFP has signed an agreement with the Egyptian General Petroleum Corporation for the use of Egypt's projected Sumed crude oil transit pipeline. The agreement, signed in Cairo on 12 October, provides for a throughput of 7.5 million tons a year for a period of 10 years.

After the signing of the agreement, Dr. Yahia al-Mulla, the Egyptian Minister of Industry, Petroleum and Mineral Resources, said that detailed negotiations had taken place during the previous three months with a large number of potential users of the Sumed pipeline, and added that bilateral agreements with them would be signed in succession during the next few weeks.

The signing of the agreements for the use of the Sumed pipeline represents the second main phase in the preparations for the construction of the pipeline. The first was concerned with the arrangements for financing the project. A general agreement on finance was initialed in Cairo last April by Egypt and a group of West European bankers (MEES, 21 April), and this was followed by the conclusion of bilateral agreements with each of the countries participating in financing the project. According to Egyptian sources, arrangements have already been made for an adequate amount of foreign exchange needed for the construction of the line.

The general agreement on finance initialed in Cairo last April stipulated that Egypt should first have firm contracts for the use of at least 60 million tons a year of the Sumed pipeline's full initial capacity of 80 million tons a year. Last year, Egypt concluded tentative agreements with several oil companies for the use of the line, but these have had to be renegotiated to take into account the changing circumstances, including possibly the renegotiation of the applicable transit fees which stood at \$1.40 a ton (MEES, 5 May). The agreement just signed with CFP therefore represents the first in the new round of user contracts to be concluded by Egypt. Elf/ERAP is expected to follow CFP with a contract for 3 million tons a year, and negotiating teams from Esso and Mobil are expected in Cairo shortly.

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AB 9

Mr Bottonley

Copies to: Mr Whitehead
Mr Chalmers
Mr Wright
Mr Pike

OIL

At your lunch yesterday following the oil meeting, I was sitting next to Sir Eric Drake. He told me a few things which I thought to be of interest:-

- i. BP was running severely short of capital with which to finance Alaska and the North Sea. He therefore intended to pull out of six areas in the world in order to save money for the two major projects mentioned above. He said that BP would be out of ADMA in two months, probably handing on their concession to the Japanese. I do not know how much special pleading there was in these remarks. Sir Eric spoke as usual with passion about the failure of the Government to give BP the necessary financial support. But I had not realised there was any question of BP pulling out of Abu Dhabi.

- ii. The reason why Shell had raised the question of the French taking more than their rightful share of Kirkuk oil was to get at BP. Shell knew that BP was buying Kirkuk oil from the French at cost price in order to increase available supplies to the United Kingdom.

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/iii.....



CONFIDENTIAL

iii. On Iraq in general, Sir Eric showed surprisingly moderate views. He said that he realised how important Iraq oil was to Britain. He thought that we should take advantage of the French special position with the Arabs as opposed to acting out of pique with the French. He would therefore do everything possible to reach an agreement with the Iraqis through the French mediator. He readily took the point that it would be damaging for us to mobilise opposition to the IBRD loan to Iraq next month if the negotiations between the IPC and the Iraqis showed any sign of coming to a successful conclusion.

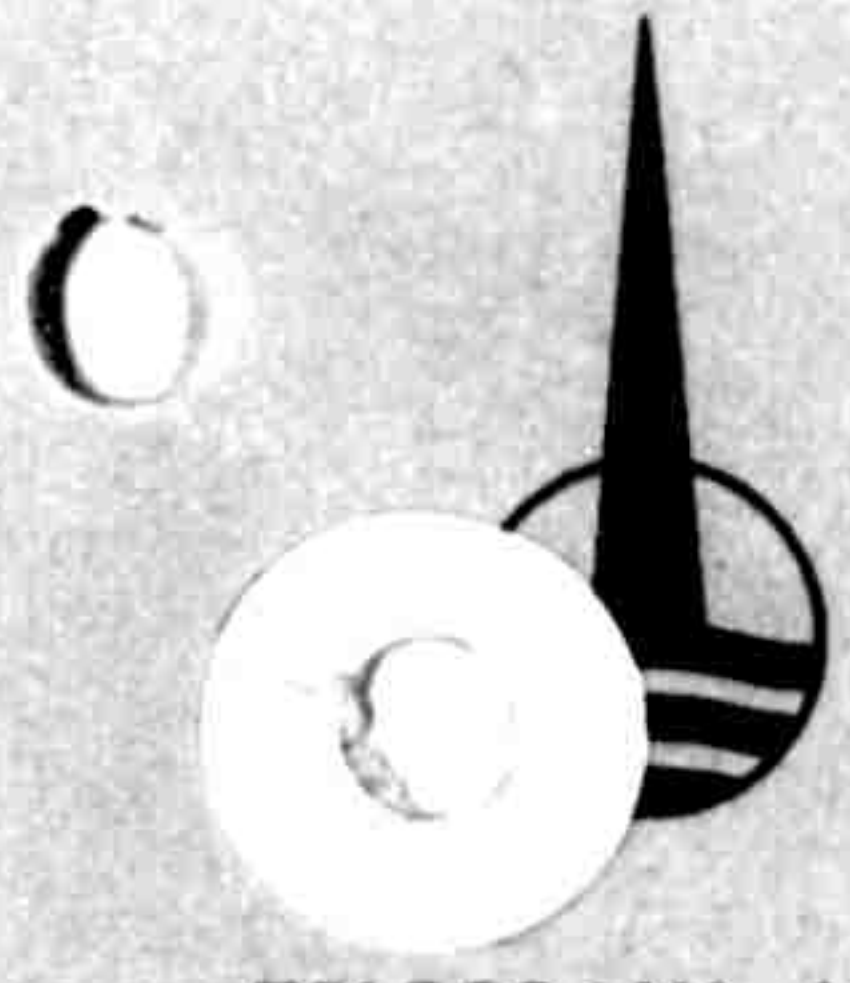

A D Parsons

7 November 1972

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I hope in fact
we can avoid
such action.
JMB

69



BASRAH PETROLEUM COMPANY LIMITED

33 CAVENDISH SQUARE LONDON W1M 0AA

TELEPHONE 01-629 9405

TELEX 22266

TELEGRAMS Inland BASPETCO LONDON TELEX Foreign BASPETCO LONDONWI Code BENTLEY'S SECOND PHRASE

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13 NOV 1972
NBR 12/1

8th November, 1972

B.P.C. PRODUCTION - OCTOBER 1972

Crude oil production by the Basrah Petroleum Company Limited during October 1972 is as follows:-

<u>Production</u>	<u>Total Production</u>
<u>October, 1972</u>	<u>Jan - October, 1972</u>
<u>Long Tons</u>	<u>Long Tons</u>
2, 857, 000	26, 517, 000

Production in October was equivalent to 690.6 thousand b/d.

ms

Mr Singh
Mr B. Singh 13/11
10/11

EN CLAIR

FM BAGHDAD 110845Z NOVEMBER

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TO ROUTINE FCO TELNO 440 OF 11 NOVEMBER 1972

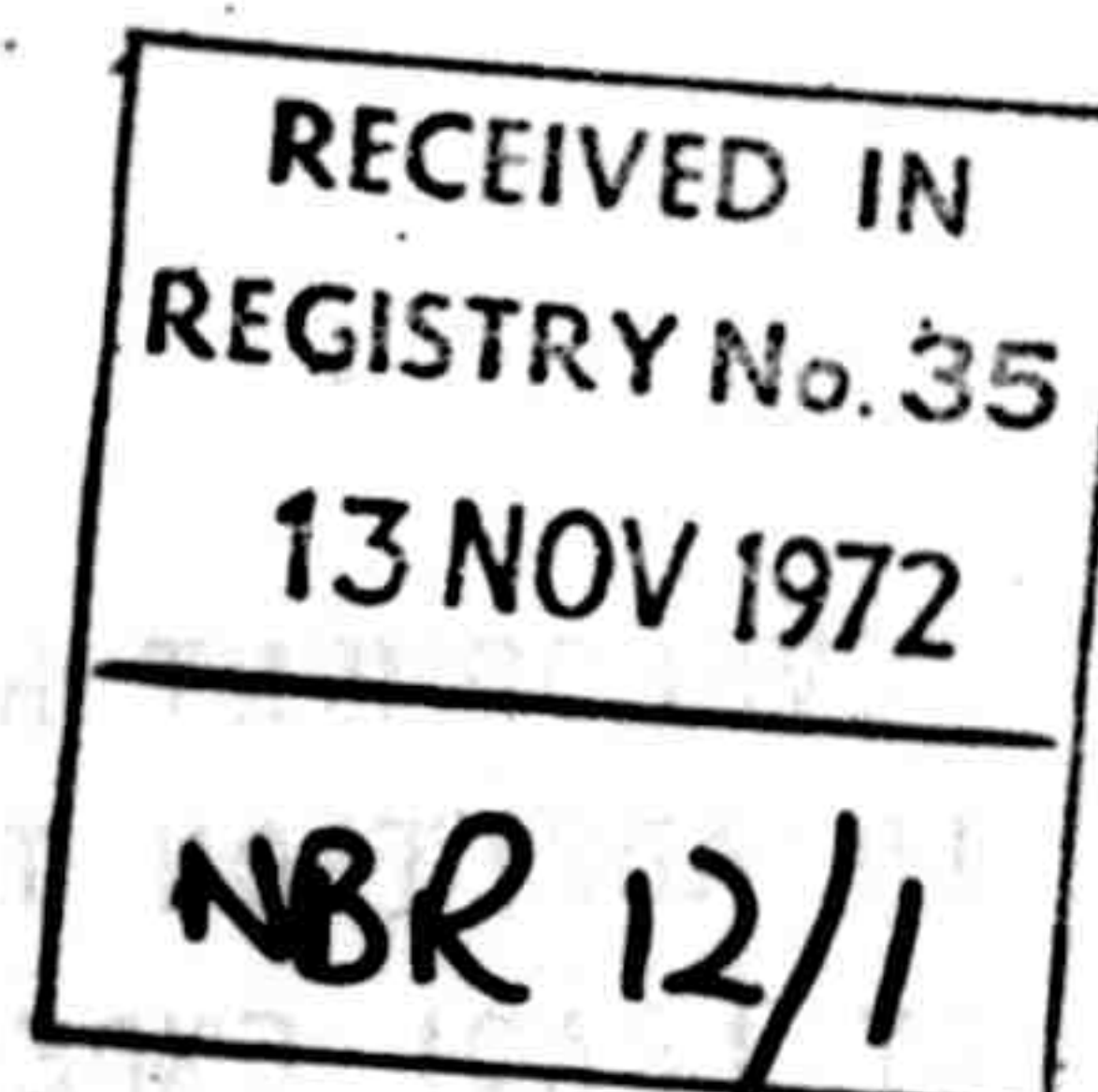
INFO KUWAIT, BEIRUT AND TEHERAN.

THE IRAQI NEWS AGENCY GIVE DETAILS TODAY OF THE INTERNATIONAL DEBATE ON OIL WHICH PRESIDENT AL BAKR WILL OPEN 11 NOVEMBER, UNDER THE SLOGAN

"OIL AS A WEAPON AGAINST IMPERIALISM AND ZIONIST AGGRESSION AND A MEAN FOR FUTURE ECONOMIC DEVELOPMENT".

THE DEBATE, WHICH IS ORGANISED BY THE NATIONAL COUNCIL FOR PEACE AND SOLIDARITY IN THE REPUBLIC OF IRAQ IN COLLABORATION WITH THE WORLD PEACE COUNCIL AND THE AFRO-ASIAN PEOPLES SOLIDARITY COUNCIL, AIMS AT ISSUING AN INTERNATIONAL DOCUMENT TO DEFINE THE MEANS OF USING OIL AS A WEAPON AGAINST IMPERIALISM AND ZIONISM, TO SMASH THE WORLD MONOPOLIES, UNIFY THE STANDS OF THE OIL EXPORTING COUNTRIES AND TO USE THE OIL FOR THE INTEREST OF THE OIL PRODUCING PEOPLES AWAY FROM THE DOMINATION OF MONOPOLIES.

AMONG THE REPORTS TO BE PRESENTED AT THE 3-DAYS DEBATE ARE- THE ARAB OIL AND THE ARAB ISRAELI CONFRONTATION STRATEGY, BY DR. YOUSIF AL-SAIGH; THE NATIONALIZATION OF OIL DIFFERENCES EARNED AT VARIOUS STAGES OF PRODUCTION, TRANSPORTATION AND DISTRIBUTION OF OIL, BY VICTOR PERLO; THE UTILIZATION OF CONTRADICTIONS INSIDE EUROPE-USA IMPERIALISTIC WORLD AS A STRUGGLE AGAINST ISRAELI AGGRESSION AND THE ROLE OF THE ARAB OIL IN THIS AGGRESSION, BY THE ITALIAN EXPERT DR. JOSE MOROZENI; OIL AND WORLD DEVELOPMENT RIGHT, BY JAHN TOSKOS OF FRANCE, PETROLEUM IN THE POWER BALANCE BETWEEN ARABS AND ISRAEL, BY NIKOLA SARKIS OF IRAQ; AND THE OIL NATIONALIZATION FOR THE SAKE OF ECONOMIC INDEPENDENCE AND



/DEVELOPMENT

DEVELOPMENT BY THE COLOMBIAN RESEARCHER DR. KHOZIEH KONSEGHRA
IN ADDITION TO A NUMBER OF RESEARCHES AND REPORTS PREPARED
BY IRAQI EXPERTS.

MCCLUNEY

DEPARTMENTAL DISTRIBUTION

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RES D (WEL)

RES D (AM S)

4. **Saddam Husain Insists on Net Book Value for IPC Compensation:** The Vice President of the Iraqi Revolutionary Command Council, Mr. Saddam Husain, in an interview with the fortnightly Beirut oil journal Arab Oil and Gas published on 1 November gave his views on a number of questions currently facing Iraq in the field of oil. After noting that the aftermath of the nationalization of IPC had proved less difficult than the Iraqi Government's pessimistic projections, Mr. Husain then spoke of the mediation efforts now under way with IPC. "The settlement of outstanding problems with IPC," he said, "will depend essentially on the compensation agreement. For us the sole valid basis for calculating compensation is the net value of the investments undertaken by this company in Iraq. The participation arrangements will perhaps shed brighter light on this matter."

Mr. Husain then replied to a question on the dispute between Syria and Iraq over transit fees for Iraqi oil passing through the nationalized IPC pipeline in Syria (MEES 20 October). "Before promulgating the nationalization law, we informed the Syrian Government of our decision and asked for its support which was generously granted. Syria nationalized IPC's installations demanding that its transit dues should be doubled from 23 to 46 cents per barrel, affirming that its agreements with IPC were based on the equal sharing of transport profits. The misunderstanding is basically due to the fact that our Syrian brothers are calculating transport profits on the basis of the difference between Mediterranean and Gulf posted prices. It goes without saying that this calculation is totally erroneous since we sell our nationalized oil at realized prices. We have therefore proposed to the Syrian Government to continue paying the fees it collected from IPC and to share with it any additional profit that may accrue from nationalization. Otherwise, Syria's revenues would double while ours would drop compared to what we collected prior to nationalization. This loss would be aggravated by the Syrian demands relative to the increase in the expenses shouldered by Iraq on account of transport operations in Syria. We hope to be able to settle this problem soon as we are both interested in developing oil exports from the Mediterranean via existing pipelines and the Rumaila-Tartus pipeline project. We consider that our battle is with the foreign monopolies and that there are no grounds whatsoever for creating useless discords that would cause prejudice to Iraq, Syria and the whole Arab nation."

5. **Iraqi Oil Exports from Banias Top 800,000 b/d in October:** Iraqi exports of nationalized Kirkuk crude from the Syrian port of Banias during the week 15 to 22 October totaled 832,000 metric tons (780,000 b/d) which were loaded on board 18 tankers of various nationalities. This brings up total exports of Kirkuk crude during the first three weeks of October to 2,432,000 metric tons, or an average of 810,667 b/d.

(The October export figures indicate that the Banias section of the pipeline/terminal export system is currently running well above its maximum rated capacity of 36 million tons per year or roughly 720,000 b/d.)

11 NOV 1972

NBR 12/1

ECO/6/2

4 November 1972

J Ashwood Esq
C R & E Dept
DTI
1 Victoria Street
London SW1H 0ET

"Endurance" and Barter.

1. Please refer to my letters to you of 23 September about "Endurance" and 29 October about aircraft, and my letter to Scott of ECGD of 28 October about Mosul Dairy. -NBR 6/548/2

2. The pleasant autumn weather of the past few weeks in Baghdad has stimulated activity of various kinds, particularly the production and distribution of rumours. The ones I like best are to the effect that "it will be all settled by the end of the year", meaning the IPC issues. In spite of Iraq's failure to sign the "Participation" agreement the shuttlecock journeyings of Mr. Durac-Danner, the co-mediator, to and from Baghdad, gives us grounds to hope that negotiations are getting somewhere.

3. The Iraqi authorities also seem keen to get some of their development projects moving forward with the aid of barter, in spite of plastering the town with posters announcing an international seminar in "Oil" as a weapon against imperialism and for an independent National Economy which is to be held in Baghdad from 10 to 16 November. APV International Ltd. of Crawley think they have landed all three jobs in which they were interested (Mosul Dairy, extension to Baghdad Dairy and a small brewery plant) worth about £2½ million in all. This depends upon a linked deal for oil arranged for them by one of the Lewis and Peet companies with Greek buyers. Cooper of APV flew off to Athens today and expects to be back to sign contracts in a week. If this deal goes through, and there is no harmful publicity, as the Iraqis have promised, then we have the likelihood of Thomas of MAC arranging a similar linked deal for aircraft. Aircraft are, however, rather more conspicuous than dairy plants

Cont

-2-

4. It is my impression that the Iraqi authorities are genuinely interested in getting their development programme moving again, and if they cannot get urgent projects moving with barter deals they will consider long term credit. Salopian Industries, for example, have recently sold the General Poultry Company chicken battery equipment worth about £400,000 without the question of barter being raised. I think we should be doing some contingency planning on loans and lines of credit, although keeping to the case-by-case approach in the meantime. I am expecting a visit from Messrs. Clark and Emerson of Lloyds Bank Overseas Dept. of 14 November and I would be grateful for some guidance before then,

5. Copies of this letter are being sent to Smith of Middle East Dept. F.C.O. and Scott in ECGD.

P. Donovan.

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Mr Whitehead

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15 NOV 1972
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14/11

M. H. 15/11
M. Smith
M. Smith 15/11
pa

IRAQ AND THE IPC

1. Philippe Cuvillier, Minister at the French Embassy, called on Mr Bottomley on the evening of Friday 10 November. He said that the Board of Directors of the IPC had decided to defer the visit of Danner, the French CFP Director and co-mediator, to Baghdad until a meeting of the Chairmen or Presidents of the shareholding companies had been held in Chicago on 14 November. The aim was that firm proposals to be put to the Iraqis on behalf of the IPC, would be agreed and that Danner should put them to the Iraqis as soon as possible thereafter. It did not look likely therefore that Danner would be in a position to negotiate with the Iraqis before about 18 or 19 November.
2. It was M. Cuvillier's understanding that Shell, BP and CFP had been in full agreement on what should be done but that there was still some reluctance on the part of the US companies to fall into line. While the French Government and CFP would continue to observe the promises which they had made to the other parent governments, and to the shareholding companies, there was some concern that the American shareholders might obstruct progress on the joint view now established between the three European shareholding companies. He wondered therefore whether HMG might not consider raising this with the two British companies prior to the Chicago meeting.
3. Mr Bottomley replied that we kept in touch continually with the British companies over the Iraqi situation and it was certainly our policy - and also we believed theirs - that every effort would

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be made to retain a British interest in the Iraqi oil industry if this were at all possible. However, it was our understanding that the British companies believed that the US shareholding companies were coming round increasingly to their view and the prospects of an agreement being reached in Chicago were good. The British companies were already well aware of the importance which the Government attached to a speedy agreement on realistic proposals which could be put to the Iraqis by the co-mediator during the next few weeks.

4. M. Cuvillier was unaware of the decision that Danner should be accompanied by a representative of the IPC on his next visit to Iraq. It was explained that the reason for this was the oil companies' view that the next round should move very quickly out of the area of mediation into the presentation of firm proposals on behalf of the IPC to the Iraq Government. If these were acceptable to the Iraqis substantive negotiations should start immediately. The presence of an IPC nominated representative would make this possible.

George Chalmers

G B Chalmers
Oil Department

13 November 1972

Copied to:
Mr Bottomley
Mr Parsons
Mr Wright MED
Mr Williams DTI
Mr Watts DTI
Mr Willmott - Washington

CONFIDENTIAL

With the compliments of

**ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD**

*Mr. Smith to see
2 pa
15/3/11*

P.O.Box 2037, Alwiyah

B15 BAGHDAD OIL SEMINAR URGES SUPPORT FOR NATIONALISATION MOVE NBR 12/11 (74)

BAGHDAD RADIO THE WORLD OIL SEMINAR CONCLUDED ITS MEETINGS IN BAGHDAD YESTERDAY BY ISSUING A GENERAL COMMUNIQUE AND DOCUMENTS EXPRESSING SUPPORT FOR IRAQ, THE ARAB LIBERATION MOVEMENT AND THE NATIONAL LIBERATION MOVEMENTS IN THE WORLD. THE CONFERENCE CALLED ON ALL THE FORCES FOR PEACE AND PROGRESS IN THE WORLD TO DO ALL THEY

CAN TO ENSURE THE SUCCESS OF THE IRAQI OIL NATIONALISATION OPERATION.

MF BBC MON 15/11 LSE 0833

B15 SEMINAR 2: NEED TO STRENGTHEN COOPERATION WITH EASTERN BLOC

THE DOCUMENT EXPRESSING SUPPORT FOR IRAQ SAID THAT IRAQ'S NEED TO ATTAIN A DECISIVE VICTORY IN ITS STRUGGLE WITH THE IMPERIALIST OIL MONOPOLIES DICTATES A STRENGTHENING OF NATIONAL UNITY, BOTH INTERNALLY AND ON THE ARAB FRONT, AND A DEEPENING OF COOPERATION BETWEEN IRAQ AND THE SOCIALIST COUNTRIES, HEADED BY THE USSR.

MF BBC MON 15/11 LSE 0835

B15 SEMINAR 3: OIL AS A WEAPON AGAINST ISRAEL

THE COMMUNIQUE SAYS OIL IS ONE OF THE PRIMARY MEANS USED BY IMPERIALISM TO DIVIDE THE ARAB HOMELAND AND OCCUPY PALESTINE. IT SAYS OIL SHOULD BE USED AS A WEAPON AGAINST ISRAELI AGGRESSION AND INVASION AND FOR THE RETRIEVAL OF THE LEGITIMATE NATIONAL RIGHTS OF THE ARAB PEOPLE AS A WHOLE, PARTICULARLY THEIR RIGHT TO SELF-DETERMINATION.

END BBC MON 15/11 LSE 0837 (KY) (OIL)

NGMAD

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COMMERCIAL IN CONFIDENCE

TO ROUTINE BAGHDAD TEL NO CRED A 85 OF 15 NOVEMBER.

CARTWRIGHT FROM DAVIES.

PLEASE PASS FOLLOWING MESSAGE TO COOPER, APV, BAGHDAD HOTEL:

HENRY HAS TOLD BENSON AND ME THAT HE IS DISMAYED BY THE NETT PRICE INCREASE WHICH HE FEARS THE CUSTOMER IS NOT EXPECTING.

WE HAVE NO DETAILED FIGURES HERE SO WE CANNOT UNDERSTAND THE DIFFERENCE BETWEEN THE PRICE YOU ARE NOW USING FOR ABU GHRAIB

AND MOSUL AND THE PRICE YOU ARE DISCUSSED HERE BEFORE YOU LEFT.

THE DIFFERENCE SEEMS TO BE ABOUT 14 PERCENT, WHICH COULD PRESUMABLY BE EXPLAINED BY THE DEVALUATION AND FLOATING OF THE POUND. AT BEST

WE COULD ONLY MAKE A MINIMAL REDUCTION IN THE PROFITS AND A

FIGURES AND WE WOULD PREFER NOT TO DO THIS UNTIL WE HEAR THE

OUTCOME OF YOUR DISCUSSIONS AT 8.30 TOMORROW MORNING. MEANWHILE

HENRY TELLS ME THAT YOU MUST ASSUME THAT THE SPLIT OIL DEAL WILL GO THROUGH O.K. GOOD LUCK.

M. SELIGMAN.

Mr. Dransell
T. H. H. 17-11-72
entirely wrong
15/11/72
fa

DTI

NNNN

E. THE IRAQI OIL SEMINAR**Opening Speeches**

Baghdad home service in Arabic 0708 and 0734 gmt 11 Nov 72

0708 gmt: Text of speech by President Bakr (broadcast live):

Honourable gentlemen and dear friends, in my name and in the name of the Ba'th Party, the Revolution Command Council and the Iraqi Government, I greet you and warmly welcome you, appreciating your taking the trouble to participate in this seminar, being held in Baghdad to strengthen the world people's struggle for the liberation of their resources from the grasp of the imperialist monopolies. It will undoubtedly simultaneously reinforce our people's struggle in the battle to recover their legitimate rights usurped by the imperialist monopolies for about half a century.

Gentlemen, about three months ago Baghdad played host to representatives of the various world progressive organizations who came here to express solidarity with the Iraqi people and to express the strong fighting bond which binds all the peoples who love freedom and peace into a single front in the face of the camp of imperialism, monopolies and aggression which aims at humiliating and exhausting the resources of peoples. It pleases me to refer to the results of that conference and the effective support it has given to strengthen the victory our fighting people had achieved.

Although we deeply believe in our rights and in the legitimacy of the decision we made on 1st June to nationalize the Iraq Petroleum Company operations as an assertion of these rights and their protection against theft by the monopolies, we realize that imperialism, which has usurped our rights and the rights of other peoples, cannot possible respect any decision which does not conform to its schemes and aggressive interests, unless it is forced to do so. The sound way to force the imperialists to submit to our determination and to our just demands is through the unification of the people's progressive forces, general and comprehensive mobilization of their resources, solidarity among and unity of the progressive Arab forces and effective solidarity with the world progressive forces everywhere.

Friends, the monopolist companies have used various methods to tie Iraq to the chariot of imperialist economy, to obstruct the freedom of its economic activity, and to turn its oil-rich territory into an oil dump so that oil may flow or stop according to their wishes and in a manner serving their schemes and illegitimate interests. They have been unconcerned by the injury caused to our people. They spread false rumours throughout the world that they alone are capable of managing the oil installations and bringing oil to the consumers. They were also sowing fear in the hearts of the consumer countries because of the demands of the oil-producing countries to control their rights to their resources.

It pleases me to expose the falsehood of these allegations through the success our people have achieved, through the specialists in Iraq, through the proper management of the installations and oil marketing despite the short period since the 1st June historic decision, despite the attempts made by the companies to put obstacles before us and despite the campaigns of distortion they staged to bring about the failure of the nationalization operation. I deem it a duty to declare my great appreciation of and admiration for all those working here in this field, hoping they will do more in the service of their people.

Friends, this experiment asserts that nationalization is for the benefit of the consumers as much as it is for the benefit of the producing countries in view of the fact

ME & cfr

Mr Dravell

We have already
entered the 1st
11/11Not previously
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fa

that it meets the requirements of the consumers without the manoeuvres of the monopolist companies which proceed from the principle: more profits at the expense of the producer and consumer together. As for us, we continue to be eager to establish relations of mutual benefit and co-operation with all the oil-consuming countries in a manner which safeguards our interests and the interests of the consumer without exploitation and theft.

The monopolies have forgotten that [words indistinct] they no longer have absolute control of the world oil markets. The socialist camp, the free countries of the Third World and the European countries give priority to their national interests. These are far removed from the influence of US imperialism and its aggressive schemes.

Gentlemen, we are waging a large-scale battle and we have no doubt that we shall succeed in it by depending on our people's legitimate right to control their natural resources, on our people's strong and vigilant willpower and on the support of the Arab and world progressive forces. However, we must assert on this occasion that whatever efforts you exert during this seminar will be a prominent contribution and will put science, as a basic force, on our side in our legitimate struggle. It will also be on the side of the peoples, now that they have acquired this right as an effective weapon which the oppressed peoples can use in complete freedom in their own interest and away from the domination of the imperialists and monopolists which have persistently utilized the peoples' resources for the benefit of their aggressive schemes.

We realize that Iraq's oil nationalization experience and the battle it has waged against the monopolies - the battle which occupies a central position in our people's struggle on the path of freedom and progress - has had a great effect in the area and is firmly linked with the struggle we are waging against imperialism and Zionism. It is also linked with the basic struggle against the common imperialist enemy. This is why it has attracted to its side the forces of good, progress and freedom, whereas the forces of imperialism, monopolies and reaction are grouped against it.

While proceeding with absolute confidence in the legitimacy of our decision, we proceed from the same confidence in our ability to achieve victory. We are therefore firmly pursuing the course of the national front and the progressive Arab front. We are trying steadily to consolidate the front of solidarity with the world progressive forces, especially with the socialist states, the foremost of which is the friendly Soviet Union which has stood on our side very gallantly and in a manly fashion and also the progressive and free forces in Western Europe and the countries of the Third World.

On this occasion, I congratulate our people in Iraq and all the Arab people on the victory we have achieved with the great nationalization decision. Our people must know that the piastre the citizen has paid or will pay for steadfastness will bring abundant good to the people. All the oil royalties are now the property of the people. From now on, there is no partner or sharing of profits.

I find it necessary to draw the attention of our great people to the fact that our struggle with imperialism, the monopolies, Zionism and backwardness will be a long one and cannot be determined by a single attitude or in a fixed period. It is a struggle which will not end after one, two, or three years. It is a struggle which will go on for a long time because the enemies will not give up fighting us whenever we take a step to liberate our economy or on the path of progress. Our war with our enemy, imperialism, enemy of the peoples who love freedom and peace, will continue as long as imperialism has lackeys here and there, manipulating them whenever and however it wishes. Our determination and resolve to struggle and the support of the many friends will ensure the defeat of its aggressive schemes and will end its economic and political domination.

The historic nationalization decision has laid down the slogan: Arab oil for the Arabs. The historic nationalization decision has raised the slogan: Arab oil for the Arabs. The historic nationalization decision has put the slogan Arab oil for the Arabs into effect.

We can now use Arab oil as a weapon against our enemies, the imperialists, in all our battles, especially in our battle of destiny in Palestine. All those who are zealously concerned about the future of their nation and people must be aware of the seriousness and importance of this matter.

In conclusion, we again greet you and welcome you to this fighting country. We must not forget to extend many thanks to the World Peace Council, to AAPSO and to the Iraqi Council for Peace and Solidarity which have prepared for this great meeting. We also thank all those who are contributing to it, wishing your seminar every success. Peace be with you [applause].

0734 gmt: Excerpt from speech by Romesh Chandra, WPC Secretary General (broadcast live in English with translation into Arabic):

There was recently an election in a country called the United States of America. Yesterday the London 'Times' carried a special interview with the man who has been re-elected. In it he said that among the top priorities for his government would be the Middle East. What does his top priority for the Middle East mean? Does it mean a priority for peace and justice?

The history of US imperialism shows that this top priority means greater intervention, greater efforts to help maintain Israeli aggression, greater efforts to divide the Arab people and greater efforts to divide the Arab people from their best friend, the Soviet Union.

But one thing is clear about this. The (?reach) of the United States, of US imperialism, no longer exists in the old sense of anywhere in the world and it will not exist in the Arab world. Above all, it is this that we, meeting here in this region, must think about. What are the ways in which we can put an end to the use of our wealth and our oil, above all by imperialism and Zionism? How can we use it for ourselves? That will be our answer to those who wish to give top priority to further intervention, further aggression and further exploitation and domination of the Arab world. . .

Proceedings

(a) Tass in English 1603 gmt 12 Nov 72

Excerpt from Baghdad dispatch by Gennadiy Marunin:

A Soviet delegate who spoke at the evening session noted the importance of Arab oil in the struggle against imperialism and Zionism. He stressed that the nationalization of the Western Iraq Petroleum Company is vivid proof of how futile are the attempts of imperialism and its servitors to hamper the development of the Arab national-liberation movement. The Soviet Union, he said, is rendering the broadest help to the Arab peoples and will do also in the future all it can for strengthening Soviet-Arab friendship, one of the main conditions for successfully opposing the Israeli aggression.

Delegates from India, France and Colombia stressed the importance of this representative forum of scientists and peace champions for the national-liberation movement of the Arab peoples and all countries struggling for economic self-sufficiency and political independence.

(b) Baghdad home service in Arabic 0430 gmt 12 Nov 72

Text of report:

The participants in the international seminar on oil as a weapon against imperialism and Israeli aggression held a general meeting yesterday evening. Three committees were formed to discuss the participants' scientific reports and speeches were made by delegates from the socialist states, the progressive movements in Western Europe, the USA, Latin America, and the WPC Honorary President, Krishna Menon.

The committees were formed as follows: The Committee on Oil as a Weapon against Imperialism and Israeli Aggression, rapporteur (?Jean Calon), member of the French Communist Party Politburo; the Committee on Oil as an Instrument for Social Development and Progress, rapporteur Idris Cox, member of the Executive Committee of the British Communist Party; and the Committee on Participating Concessions and Nationalization, rapporteur (?Victor Pavlos), the famous American economic researcher and author of the (?successful) book "Pillars of American Imperialism". These committees will be turned into a drafting council, in addition to the committee for drafting the general statement of the seminar.

(c) Baghdad home service in Arabic 0430 gmt 13 Nov 72

Excerpt from report:

The committees of the international oil seminar continued their activities for the second day yesterday. The researchers and experts who are participating in the seminar delivered their reports and the results of their research to the three committees. These were discussed.

The representative of the Egyptian magazine 'At-Tali'ah', Dr. Muhammad Ajlan delivered his report, entitled "Popular action is the only guarantee for use of the oil weapon", to the Committee on Oil as a Weapon Against Imperialism and Israeli Aggression. He spoke about the Arab people's struggle against the Zionist occupation - a struggle must be stepped up. He emphasized that oil was an essential weapon in the struggle.

After discussing Dr. Ajlan's report, the seminar continued its discussion of partnership which the committee had begun to discuss during its morning session. The French Communist Party representative (?Jean Calon) delivered a report in which he said that the national liberation movement had entered a new phase since the IPC operations were nationalized. He added that this achievement was a new force in the movement to confront the imperialist system, which was no longer capable of continuing the confrontation.

Dr. (?Bunzel), of the Market Research Institute at the Soviet Foreign Ministry, then delivered a report entitled "The Arab countries' struggle to liquidate the domination of the oil monopolies and create a national oil industry", in which he reviewed the Arab people's struggle to liberate their economic resources from the domination of foreign monopolies. . .

Participants

Editorial report:

The Iraqi News Agency (0940 gmt 9 Nov 72) reported the arrival in Baghdad of the AAPSO Assistant Secretary General, Sami Sadiq; the Iraqi permanent representative at the AAPSO Permanent Secretariat, Nuri Abd ar-Razzaq; the Soviet representative to the AAPSO Permanent Secretariat, Kalandrov; the Hungarian National Assembly member and Peace Council Deputy Chairman Pal Mondok; the member of the Economy Institute at the Hungarian academy of sciences (?Waykon Kemenec); the Egyptian Peace Council representative Husayn Fahmi; the member of the WPC Permanent Secretariat and Arab States' representative to the WPC Rif'at as-Sa'id; the Palestine representative to the AAPSO Permanent Secretariat, Muhammad Subayh; the chief editor of the Egyptian 'At-Tali'ah', Lutfi al-Khuli; the well-known Arab oil expert, Shaykh Abdullah at-Turayqi; and two Syrian oil experts, Zuhayr al-Khani and Maurice Salbiyyah.

At 0945 gmt on 11th November it said that: "Participating in the seminar are delegations representing the Palestine Liberation Organization, the French Communist

Party, the French general union of labour, the Italian Communist Party, the [International] Association of Democratic Lawyers, the Hungarian Peace Council, the Romanian National Council for the Defence of Peace and the East German Peace Council. Also participating in the seminar are experts, specialists and researchers representing Iraq, the Arab States, the Soviet Union, Cuba, Czechoslovakia, Britain, France, Sweden, India, Finland, Argentina, Yugoslavia, (?Colombia), Italy, Belgium, Mongolia and other Latin American, Asian and African States."

The Iraqi News Agency (0930 gmt 12 Nov) reported the departure for home of Krishna Menon, member of the WPC and Chairman of the Parliamentary Group of the Peace Movement in the Indian Parliament.

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PETROLEUM INTELLIGENCE WEEKLY

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IRAQ—Exports of state-produced crude oil rose 23.8% in October to a total 3,340,545 tons, according to the Iraq news agency. This included 3,075,644 tons from the nationalized northern Kirkuk fields, shipped in 68 tankers from Baniyas, Syria; and 246,881 tons from North Rumaila field in south Iraq that was shipped in 12 tankers from Fao at the gulf.

F C R E I G N E C O N O M I C R E L A T I O N S

President Bakr Inaugurates
International Oil Seminar

President Says "Iraqi People
Determined to Safeguard Oil
Nationalization Gain"

H.E. President Ahmed Hasan Al-Bakr inaugurated at Al-Khuld Hall at 10.00 a.m. 11th November the seminar on "Oil as Weapon Against Imperialism and Israeli Aggression and as Means for Independent Economic Development", co-sponsored by the National Council for Peace and Solidarity in the Republic of Iraq, the World Peace Council and the Afro-Asian Solidarity Organization. Participating in the Seminar are delegations representing the Palestine Liberation Organization, the French Communist Party, the French General Federation of Labour, the Italian Communist Party, the Democratic Lawmen League Association, the Hungarian Peace Council, the Romanian National Council for the Defence of Peace and the Peace Council in the German Democratic Republic. Also participating in the Seminar are experts, specialists and researchers from Iraq, the Arab states, the Soviet Union, Cuba, Czechoslovakia, Britain, France, Sweden, India, Finland, Argentina, Colombia, Italy, Belgium, Mongolia and other countries in Latin America, Asia and Africa in addition to a number of professors of World and Arab Universities and representatives of national and progressive forces and of science in the Arab homeland.

At the beginning of the inaugural session His Excellency the President delivered an address in which he affirmed the Iraqi people's determination to safeguard the historic gain of oil nationalization and to realize complete victory over the imperialist monopolies and forces of imperialism and

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injustice. Following is the full text:

Distinguished delegates,
Dear Friends,

In my name and on behalf of the leadership of the Arab Baath Socialist Party, the Revolutionary Command Council and the Iraqi Government, I greet you and wholeheartedly welcome you, appreciating the trouble you have taken in order to participate in this Seminar which is being held in Baghdad, in support of the struggle of the world peoples for the liberation of their resources from the grip of the imperialist monopolies, and the struggle of our people for recovering their legitimate rights, undermined by world imperialist monopolies for almost half a century now.

Distinguished delegates,

Only three months ago, Baghdad cordially received the representatives of the various world progressive organizations, who came here to demonstrate their solidarity with the Iraqi people and support of Iraq's legitimate decision to nationalise the Iraq Petroleum Company's operations, and also to represent the solid link of struggle which binds together all freedom and peace loving peoples and places them on a common front against the camp of imperialism, monopoly and aggression whose aim is to humiliate peoples and drain their resources. In this respect, we have to highlight the results achieved by that conference, and the effective support it rendered with a view to upholding the victory of our struggling people.

In deeply believing in our rights and the legitimacy of the decision taken on June 1st, to nationalise the operations of the IPC, and in confirmation and preservation of

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these rights against monopolist blackmailing, we should realize that imperialism which has violated our rights and the rights of other peoples cannot abide by a decision which is inconsistent with its aggressive schemes and interests, unless forced to do so, and that the only correct way to bring imperialism to succumb to our will and just demands lies in unifying the progressive forces of the people and in totally mobilising their potentialities. It also consists in the effective solidarity and unity of the Arab progressive forces with the other progressive forces in the world.

Dear Friends,

The monopolistic companies have employed various methods so as to tie up Iraq to the wheel of imperialist economy, obstruct its economic freedom and turn the land rich in oil resources into a depot which flows out or comes to a stop at the whims of these companies, thus to serve their schemes and illegitimate interests, in complete disregard of the damages they cause our people. They used to disseminate, on a world scale, their falsehoods to the effect that only foreign companies are capable of managing oil enterprises and securing continued supplies to the consumers; they tried as well to evoke fears on the part of consuming countries as to the claims of the producing countries to fully control their rights to their wealth.

We are glad to refute these lies by the success of our people, helped by our experts here in Iraq, in the efficient management of oil enterprises and marketing, despite the short period elapsed since the adoption of the historic June Decision, and the attempts by the companies to place obstacles in our way and carry out distortion campaigns and counter-propaganda activities with an aim to abort the nationalisation process.

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Therefore, I consider it my duty to declare, my great admiration and appreciation of all those who work here in this field, hoping they would yet act harder at the service of their fellow-countrymen.

Friends, this experiment also proves that nationalisation is as equally in the interest of the consumers as it is for the producing countries, since it meets the former's needs, free from the monopolistic companies' manoeuvres which are based, mainly, on the principle of further profits on the account of both the producer and consumer. On our part, we intend to maintain relations of mutual benefit and co-operation with all oil consuming countries, in a way which secures our interests and those of the consumers, free from exploitation and blackmailing.

Crumbs of comfort!

The monopolies seem to have forgotten that they no longer exercise an absolute authority over oil world markets, for there exist the Socialist camp, the free countries of the Third World and the European countries which opt for their national interests in the first place, free from the influence and aggressive schemes of the United States imperialists.

Distinguished delegates,

The battle in which we are engaged is an extensive one, however we entertain no doubt as to our victory based on the legitimate rights of our people to control their natural resources, and on their conscious and firm determination and the support extended by the Arab and World progressive forces. We should however emphasise, in this respect, that the efforts you exert in the present Seminar are considered an outstanding contribution, as they harness science, this indispensable force, to serve our legitimate struggle and the struggle of

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other peoples to reinstate their right which could be employed in full freedom as an effective weapon by the oppressed peoples to promote their interests, free from the domination of imperialists and monopolists who used to employ the resources of our peoples to serve their aggressive schemes.

We realise that the experiment of Iraq in the nationalisation of oil and its battle with the monopolies, which gained a special importance in the struggle of our people along the path of freedom and progress, will have serious repercussions in the area. It is closely linked with the struggle waged by the peoples of the area against imperialism and Zionism, besides, it is related with the struggle of humanity against the common imperialist enemy. It, therefore, polarised the forces of good, progress and freedom, while it alienated the forces of imperialism, monopoly and reaction.

From our absolute confidence in the legitimacy of our decision, we derive confidence in our ability to achieve victory; to this end we consistently proceed along the way of the National Front and the Arab progressive front. We also act, relentlessly, for the consolidation of the front of solidarity with the world progressive forces, especially with the Socialist countries, foremost among which is the friendly Soviet Union which along with the progressive and free forces in Western Europe and the countries of the Third World sided with us courageously and vigorously.

On this occasion, I wish to congratulate the Iraqi as well as the entire Arab people on the victory we achieved by virtue of the great nationalisation act. Let our people know that each penny they pay to consolidate our steadfastness, would bring invaluable benefits to them. Oil revenues now belong to the entire people; there is no longer any partnership, or profit-sharing.

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I consider it my obligation to draw the attention of our great people to the fact that our struggle against imperialism, monopolies, Zionism and backwardness, is a protracted struggle which cannot be limited to a certain position of specific time. It is the kind of struggle which cannot come to an end in one, two, or three years. It is a long and arduous struggle, because the enemy will not cease to fight us on every step we take along the way of economic liberation and progress.

Our strife with the imperialist enemy, the enemy of all freedom and peace-loving peoples will continue as long as he maintains his lackeys whom he moves here and there and at any time he wishes. However, thanks to our determination and the support of our numerous friends we shall be able to defeat his aggressive schemes and bring his political and economic domination to an end.

The historic nationalisation decision has concretised the slogan of "The Oil of the Arabs is for the Arabs", and now it can even turn the Arab oil into a weapon directed against our imperialist enemies, in all liberation battles, and particularly in our battle of destiny, in Palestine. Let all those who hold dear the future of their nation and people consider the importance and seriousness of this fact.

In conclusion, I wish to greet you, once more, and welcome you to this struggling country. We cannot fail to express our sincere thanks to the World Peace Council, the Afro-Asian Peoples Solidarity Organisation and the National Council for Peace and Solidarity in Iraq which have arranged for this great gathering. We also wish to thank all those who have contributed to it, wishing your seminar every success.

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Next to speak was Sd. Aziz Sharif, Secretary General of the National Council for Peace and Solidarity in the Republic of Iraq. In his address Sd. Sharif stressed the importance of this seminar in deepening peoples' awareness of oil as a sharp weapon in their liberation struggle and independent development. Following is the text of Sd. Sharif's address:

Dear brothers and friends,

On behalf of the National Council for Peace and Solidarity and the Iraqi people, I wish to extend to you my warm greetings and expressions of appreciation; and to thank the President of our Republic for his address, and for personally espousing the cause of this Seminar, as he always espoused the activity of our Council at the national and international levels.

The holding of this Seminar has been- for more than two years - the centre of our attention, even before the question of nationalizing the IPC was raised. The objective of convening such Seminar by the World Council for Peace, the Afro-Asian Peoples' Solidarity Organization and our Council, has been to contribute towards deepening peoples' awareness of oil as a sharp weapon in their liberation struggle and independent development. The President of our Republic espoused the idea of holding it in our country from the very start, and continued his moral and practical support to make it a reality. Now that the holding of this Seminar has come following the nationalization of IPC, and in the middle of our struggle to achieve success of nationalization, we have no doubt that its impact will have far-reaching results in supporting our struggle.

The Seminar was preceded by three world gatherings, each receiving the greatest share of attention, to support

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the struggle of the Iraqi people and government in oil nationalization. The first of such gatherings was the world conference which was held in Baghdad last August at the invitation of the three organizations - the World Council for Peace, the Afro-Asian Peoples' Solidarity Organization, and the National Council for Peace and Solidarity in the Republic of Iraq - under the title of "Solidarity with the People and Government of Iraq in Oil Nationalization." As you may recall, more than 100 national peace and solidarity organizations and 15 world organizations took part in that conference, whose success has greatly mobilized world opinion on the side of our cause. The second gathering was the All India Peace and Solidarity Conference, which was held in Calcutta last September. Although this was a national conference, the scope of representation of national and world popular organizations was not less than in any world meeting. A prominent place was given in that conference to supporting the struggle of the people and government of Iraq on this subject in particular. The third and last gathering was the meeting of the Board of the World Council for Peace which was held last October in Santiago-Chile. This meeting was more representative than the previous ones, as it brought together representatives of all peace committees, and all people's democratic organizations for peace and solidarity and prominent international figures. It gave similar importance to the cause of Iraqi oil nationalization and support for the Iraqi people and government in this connection.

Those gatherings and the delegations attending them from various parts of the world covered the cause of oil nationalization in Iraq so widely that the great portent of such coverage can not be ignored. No official body can achieve such success without assistance of those national

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and international organizations and personalities, whose activity covers most parts of the world. We wish to express deep thanks to the national and world organizations and figures who showed firm and active support to our struggle and carried our voice to every corner of this planet - from Siberia and North-east Asia to Chile in the south-west of Latin America as well as the countries of socialist and western Europe, most parts of Asia on top of which are the Indian sub-continent and Indo-China, together with the far corners of struggling Africa, North and South America.

The great importance of your Seminar derives from the fact that it crowns today the remarkable action that was realized in the last three gatherings. It brandishes the honest weapon of science for the struggle of peoples (especially our people's struggle) with scientists and writers of the highest calibre in the world. Words fail to express sufficient appreciation which participants in this Seminar and in those gatherings actually merit.

Apart from mobilizing progressive public opinion, an action which you have undertaken and will continue to do, we should pay tribute to the direct and firm impact of the Soviet Union and the Socialist group of countries in the support of our struggle. Large-scale assistance offered to us by these countries before nationalization, and their immediate responses after nationalization constituted basic support in frustrating attempts to choke our economy, impede export of nationally-produced oil; attempts aiming to force us to kneel before pressure of the imperialist oil monopoly. There is no doubt that all this is linked to the progressive development in our country and the progressive foreign policy adopted by our Republic in its relations with the Socialist group, especially the culmination of such relations in the

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treaty on friendship and cooperation with the Soviet Union, and the increased strength realized by the visit of our President to the Soviet Union last September, as well as the many meetings between representatives of our Republic and those of socialist countries. We take pleasure in noting the progress realized in our relations with other countries like India, Ceylon and some Scandinavian countries. While appreciating greatly such development in supporting our struggle, the basic foundation of such struggle remains to be our national unity; a progressive democratic unity polarizing the masses of our people with their brotherly nationalities, and national political parties and the movement of their political energy. We take pleasure to refer in this respect to the fact that the historical March Declaration for solution of the Kurdish question by peaceful and democratic means and the Charter of National Action, have opened the road for our national forces to pursue the construction of such unity. It is only on the basis of our unity that sound action may be conducted for the realization of an Arab unity of struggle, mobilizing our forces at the Arab level, strengthening our solidarity with the Socialist world and the other progressive forces, and securing the success of our struggle for independence and autonomous development.

The success of our struggle in the oil nationalization battle means breaking the first knot in the world oil monopoly which represents one of the major strong-holds of imperialism, neo-colonialism and world reaction in the Middle East. Our liberation struggle and that of the peoples of the Middle East and the Arab Orient in particular, faces the unity of interests of world imperialism and world zionism. These interests use Israel as an advanced post and spear-head of aggression. As imperialist interests are primarily

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centred on the domination of the enormous mineral wealth in the region, and as the peoples of the Middle East and peoples of the imperialist countries themselves - led by the United States - carry heavy additional burdens by reason of armament programmes (of spending on means of aggression on the part of the aggressors and of readiness to face the aggression on our part), there is no doubt that liquidation of the imperialist interests and liberation of the Middle East countries from their monopolies will be a decisive factor in consolidating peace. It will also maintain stability in the region and play a decisive role in changing international relations in it.

Dear Friends,

We take pleasure in making a brief account of the relative success that has been achieved since the declaration of nationalization, thanks to the unity of our people's progressive and national forces, including the Arab and Kurdish nationalities and the brotherly national minorities, and thanks to the support of the Arab forces of struggle, and the decisive support of the world progressive forces, on top of which is the Soviet Union. At present, the Kirkuk oil fields' export rate has almost reached two-thirds of the levels prevailing before nationalization of the IPC. This is in addition to the increase of exports from northern Rumaila oil. However, it is premature to believe that we have crossed the peak of struggle on this question, we are still confronted by conspiracies, machinations and pressures of an enemy whose strength should not be underestimated. Our confidence in eventual victory is justified by the support rendered by the liberation forces to our struggle, the unity of our national forces, the Arab liberation forces and the decisive support of our firm and great friend the Soviet Union, and the other world liberation forces including

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the socialist countries; such forces which are represented by their best members in this Seminar. On our side stand the interests of all peoples in peace and stability which will be served by the liberation of our wealth from the monopolies of war-mongers. On our side stand the interests of countries that depend on our oil for covering their needs; and above all history is on our side so long as we stand with history in the peoples' front, the front of the revolutionary forces that are opposed to imperialism and reaction.

The Secretary General of the World Peace Council Mr. Romesh Chandra, who spoke next, reviewed the activity of the World Peace Council during the past three months in the field of rendering support to Iraq's attitude and for solidarity with Iraq in her oil battle and in establishing the decision of Iraqi oil nationalization as a principle in the struggle against the imperialist monopolization of peoples' riches. Addressing himself to Iraq, Mr. Chandra said, "It is no wonder that the World stood to your side. We are to-day living in a century of developing nations seeking to wrest their natural riches from the claws of imperialist monopoly". He added, "A few days ago, we were in Chile. We listened to the story of Latin American countries, which was similar to Iraq's story. Imperialism had dealt its treacherous blow there for blocking the purchase of Chilean nationalized copper. By experience, therefore, we are taught that the restoration of our riches, be they oil or copper, inflames the anger of imperialism. This sends imperialism to perpetrate coups d'etat and to employ all sorts of conspiracies against peoples seeking the restoration of their natural riches". Mr. Chandra pointed to the importance of this Seminar in backing up national liberation movements, including the national liberation movement in the Arab countries and said, "The imperialists and

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Mr Chandra's speech was violently pro-Communist and is not quoted fully here ; it was not quoted fully in the press, nor fully translated into Arabic on TV.

Zionists had fragmented the Arab Nation. Therefore, it is high time for the Arabs to employ their oil collectively in the realization of their nationalist unity".

Sd. Yusif al-Sebai, Secretary General of the Afro-Asian Peoples' Solidarity Organization called on World national liberation movements to co-ordinate their struggle not only in the political sphere but also in the economic field through a set of methods and alternatives which can be used in this long-term and ferocious battle against imperialism. Following is the text of Sd. Sebai's speech:

Mr. President,
Dear brothers and colleagues,

It is my great pleasure to express, on behalf of the Afro-Asian Peoples' Solidarity Organization and in my name, our deep thanks and appreciation to the militant people of Iraq, and their nationalist and revolutionary Government, led by President Ahmed Hasan al-Bakr, for the hospitality and genuine Arab generosity that we have received, and for the sincere efforts exerted to provide the best conditions designed to ensure success of this important scientific Seminar and to realize its objectives. This will surely contribute towards the consolidation of the Iraqi people's struggle to secure complete freedom from traces of imperialist and monopolistic influence, and to ensure full sovereignty over their resources.

Indeed this Seminar has a special historical significance; on one hand, it brings together representatives of forces fighting for liberation, peace and prosperity, from Asia, Africa, the Socialist and Western countries, North and South America. This alone involves an affirmation of

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the valid trend, in fact the only trend to ensure victory of the world front that is opposed to imperialism, monopolies and neo-colonialism. It is the trend of the broad unity between these basic forces, namely the forces of national liberation, forces of the socialist countries, and the world working class, and forces opposed to imperialism, and colonialism.

On the other hand, this Seminar is based on one of the foundations which we consider to be essential and necessary in the struggle of our peoples to-day, namely the scientific foundation guided by the spirit of the age. This approach depends on objective study, careful analysis, investigation of facts and reality, and emphasis on results derived with integrity and depth from comparison and investigation of possibilities, with stress on the vast and uncontested historical facts, emanating from the will of peoples to realize their objectives, defeat their enemies, and continue the struggle for justice, freedom, dignity and peace.

The decision of oil nationalization in Iraq is undoubtedly a historic step which will have a decisive impact in the evolution of the struggle of Afro-Asian countries towards breaking the yoke of world imperialism and neo-colonialism on the resources of those peoples. It represents a revolutionary multi-dimensional step whether at the national, regional or international levels. Oil nationalization in Iraq brings to its people their full sovereignty over their national wealth, and unleashes their free will in steering this wealth to serve the purposes of integrated and many-sided economic and social development, without intervention of imperialist, monopolistic or neo-colonialist forces which seek to impede national economic development and to apply political pressure. There is no doubt that this historic

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decision was the outcome of the long revolutionary struggle of the Iraqi people against the imperialist and colonialist aggression, to secure their rights over their national wealth, and their freedom to employ such wealth to serve interests of the broad masses in Iraq, and for purposes of free and equitable economic exchanges between peoples at the same time.

The nationalization decision has triggered off wide reactions of historical significance. It has, on the one hand, aroused the anxiety of monopolist and imperialist circles as it constituted a revolutionary blow which not only falls within the context of the struggle for economic independence, but which is also linked closely with the growth of political and social struggle. Therefore, imperialist and monopoly forces went on hatching plots and exerting economic, political and propaganda pressures to influence world opinion, to intervene in world markets, and to deviate the course of economic exchanges as well as to exercise pressure on the general political line of some countries. On the other hand, this historical decision gave a deep impetus on the movement of struggle imperialism and colonialism, as it received large-scale support from the forces fighting for liberation and national independence, and genuinely progressive forces and organizations in general. They have declared their support for the decision and for Iraq in its strenuous struggle to achieve eventual victory.

In fact the nationalization decision has dealt a severe blow at the monopolies and capitalist interests, the latter aiming incessantly at perpetuating imperialist domination on Afro-Asian countries in particular, and the peoples of the Third World in general. Hence they aim at impeding the economic, social and cultural development of those countries

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so that they may remain in the imperialist sphere of influence and the world capitalist market.

If it is taken for granted that a close historical relationship exists between imperialism, colonialism and neo-colonialism on one hand, and the struggle against backwardness and exploitative capitalist oppression, and if it is taken for granted that the struggle for economic development and socialist transformation cannot be separated from the struggle for national liberation and true national independence, we can thus fathom the depth of the impact left by the Iraqi oil nationalization as it sets a pioneer and brave example in the field of action for liberation and development.

There is no doubt that the nationalization of Iraqi oil unleashes enormous energies and resources in the economic and political fields, which positively acts upon and are in turn effected by the following main phenomena:

- First : Consolidation of economic independence in Iraq.
- Second : Utilization of oil resources in the process of multi-sided development.
- Third : Realization of economic liberation from pressures obtaining from dependence on one main commodity, and consequently the setting of a trend towards diversified economy in conformity with the country's rich resources and development requirements.
- Fourth : Consolidation of the public sector in Iraqi economy, and consequently establishment of bases of the non-capitalist trend in development and deepening of the socialist trend in various ways, including in particular, the training and formation of national cadres capable of efficiently shouldering the tasks of directing oil institutions.

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- Fifth : Provision of great resources in supporting the Arab struggle against imperialism and Zionism, and using such important economic commodity as a multi-sided and flexible weapon effective in the fight against Israeli aggression, and the forces conniving in that aggression, and for the restoration of the lawful rights of the valiant people of Palestine, and liquidation of the consequences of the imperialist-Zionist aggression on Arab peoples.
- Sixth : Consolidation of the anti-imperialist anti-colonialist world front; the front which constituted by the forces of the socialist countries, led by the friendly Soviet Union, the forces of the world national liberation movement, the forces of the world working class, and the progressive and democratic forces in the whole world.
- Seventh : Defeating the fallacy publicised by the influential propaganda network of imperialism and monopolies that the latter are invincible, and that the Arab governments and peoples lack the possibilities of administering modern economic institutions. The invalidity of such claims was established following the historic action of nationalizing the Suez Canal in 1956. The Iraqi oil nationalization has also come to reaffirm the resourceful revolutionary potential of the Arab peoples and to prove once again the high efficiency with which the Arab peoples can face their destiny and control their resources.

By growth and development of the struggle against imperialism, and the capitalist monopolistic exploitation, and for liberation and development on the non-capitalist road,

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the nationalization of Iraqi oil occupies a prominent place in the process of long-term social and economic transformations in the socialist orientation in the Third World countries.

It is also by this struggle that the strategic and close ties of friendship based on principles between the countries fighting for national liberation and social transformation and the friendly socialist countries, led by the Soviet Union are consolidated. Such friendship has been reaffirmed by the initiative of the Soviet Union and the other socialist countries to support the action of nationalization and help Iraq in its struggle for final victory. Such assistance was manifest in the field of marketing, or in technical and political support.

It is in this context also that the vital relations of unity and solidarity are strengthened between the Arab countries fighting for their fundamental objectives, economic and political liberation, economic and social development and march in the road of national unity.

Accordingly, one of the tasks of the world national liberation movement, the natural and necessary ally of the socialist and democratic forces of the world, is to coordinate their struggle not only in the political sphere but also in the economic field. This may be conducted through a set of methods and alternatives which can be used, flexibly but with determination, in this long-term and ferocious battle:

1. Consolidation of economic co-operation among Afro-Asian countries on one hand, and between them and the socialist countries on the other. This is to be done according to the common principles of struggle against imperialism and for development.

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2. Exploring and experimenting methods of economic co-operation between the countries fighting for national liberation and the various economic forces and institutions in the advanced western countries on the basis of common interests, and free exchange and equality of conditions and privileges.
3. Launching action to break the hold of exploitative capitalist monopolies, halting the looting of our peoples' riches, and liberation from bondage of the world capitalist market.
4. Realization of multi-sided economic development on the basis of coordinating between resources and potentialities available in the developing countries.

There is no doubt that continuation of our peoples' struggle along this path constitutes the real guarantee for the liberation sought by our peoples. It is also the valid way for realizing the interests of the broad masses, and the forces of the working people, and through their efforts, creative initiatives, sacrifices and victories.

There is no doubt that this historical gathering will carry on its message in deepening the study of the aspects of the struggle and its wide possibilities, as well as of drawing up a programme of action to support the people of Iraq in their struggle which is part and parcel of the struggle of the world front against imperialism, colonialism and monopolist exploitation.

I am confident that this Seminar will achieve full success and that the speech of the militant President Ahmed Hasan Al-Bakr will be the guide of work in the Seminar towards the fulfilment of its objectives.

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We declare once again the support of the Afro-Asian Peoples' Solidarity Organization, which is one of the bastions of the struggle against imperialism, and monopolist and capitalist tyranny, for the historic decision of nationalizing oil in Iraq. This Organization is confident in the same way as the peoples of Africa and Asia are confident, that victory will be the ally of our struggle for liberation, progress, justice and peace. (Speech ended).

The Seminar is seeking to work out an urgent instrument defining the ways and means for employing oil as a weapon against imperialism and Zionism and for breaking off the chain of World monopolies. The instrument is to attempt the co-ordination of the attitudes of oil exporting countries and for employing oil in serving the interests of the oil producing countries, independent from monopolistic high-handedness. The inaugural session which lasted about two hours was attended by a number of members of the Revolutionary Command Council, and members of the ABSP National and Regional Leaderships. The session was also attended by a large number of representatives of the national parties and forces, organizations and unions in Iraq as well as by press reporters and correspondents of Arab and foreign news agencies. The conferees are to hold a general session this afternoon at the premises of the Teachers Union to finalize the Seminar's agenda, and to elect drafting and specialization committees. The session will also debate a number of research papers and reports.

ANA/WKK

Participants in the seminar on oil being a weapon against imperialism and Israeli aggression and as a means for the development of independent national economy, held a general session on 11th November, afternoon at the premises of the Teachers Union. During this session, the participants elected seven committees for discussion of research papers and for drafting of resolutions.

In the beginning, representatives of socialist, western and Latin American states, as well as Mr. Krishna Mennon, member of the leadership of the World Peace Council, delivered speeches lauding the liberational policy of Iraq in different fields and stressed the significance of the seminar in defining the means of liberating the natural resources of the developing countries.

Chairman of the Soviet delegation and representative of the socialist states, said Iraq stands in the forefront of the democratic forces fighting against imperialism after it has directed a fatal blow at the oil monopolies in the Arab Zone. He then reaffirmed the Soviet Union's and the socialist states, support to the struggle of Iraq and the Arab Nation and to the people of Palestine against Zionism and the forces backing it up. He further said "It is the duty of all the democratic forces in the world to foil the plots schemed by imperialism against the progressive regimes in the Arab Zone, with the revolutionary regime in Iraq being in the forefront."

Mr. Krishna Mennon lauded the resolution of the revolutionary government nationalizing the monopolistic Iraq Petroleum Company, and praised the government's progressive policy, describing Iraq as a leading state in the Middle East. He further said "India and all the struggling states and peoples are grateful for the example Iraq has given when, with the nationalization, it has put an end to the plundering policy of the monopolies of the peoples' wealths." He added "Cooperation of the peace loving nations with Iraq is a basic principle as the cause of the Iraqi people is that of all these forces and peoples whom we represent, and that the blow directed by the government of Iraq at the imperialists has culminated the struggle of these forces."

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Mr. Mennon then attacked the imperialistic attempts aimed at outflanking the progressive Arab regimes, particularly in the Arab Gulf area. He said imperialism is trying to create a base for pressing on these regimes and to recover its influence in the countries who had been liberated from its domination. Mr. Mennon then tackled the Arab-Zionist conflict and described oil as an effective element in such conflict. "Unless it is liberated from the domination of the monopolies, oil will remain as a weapon in the hands of the imperialists who use it in backing up the Zionist aggression on the Arab Nation."

Representative of the Western states followed appreciating Iraq's support to the movements of liberation and the forces of progressiveness in the world. He said "The progressive parties and their revolutionary personalities have a common target with Iraq, that is concern in peace, justice and the progress of peoples." He described the presence of the delegates of the Western states in the seminar as an expression of the solidarity between their movements and the struggle of the people of Iraq and the other peoples struggling against monopolies and imperialism.

Mr. Jose' Gotsergra came next talking of the struggle waged by the peoples of Latin America against U.S. monopolies. He said "Despite the tremendous wealths in these countries, their peoples are still suffering from poverty due to the plundering exercised by these monopolies." He added that peoples of Latin America and the Arab people have common struggle against a common enemy, that is imperialism and its monopolistic companies.

After that, the committees emanating from the seminar, started their activities of debating the papers presented by participants.

Moreover, in the course of the seminar five major papers will be submitted, namely:

1. Exploitation of Arab countries and other oil-producing countries by oil monopolies. Discussions will tackle oil monopolies as the spearhead of imperialism in the Arab economy and the economies of the third world.

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2. Manoeuvres of oil monopolies against the unity of the OPEC member-countries in face of imperialism. The delegates will put into debate the tactics of monopolies to weaken anti-imperialist front of the oil exporting countries and the refutation of the monopolies' allegations against the OPEC policy.

3. Oil monopolies and Israeli aggression. The discussions will deal with oil monopolies in this context as an agitator and partner in the Israeli aggression against the Arab countries, and the close relations between the Zionist capital and the leading clique of international financial quarters.

4. The employment of oil as a weapon in the struggle against imperialism and Israeli aggression.

The debate will expound the relationship between the NATO Pact and Arab oil, and the means to use contradictions within the imperialistic circles of Western Europe and the U.S.A. in the struggle against the Israeli aggression.

5. Nationalization and the employment of oil in the service of nationalist interests of the producer countries as well as the peoples of the consumer countries away from the domination of oil monopolies.

The committees branching out of the International Oil Seminar, Oil as a Weapon against imperialism and Israeli aggression and a means for independent economic development, resumed sessions on 12th November to discuss papers listed on their agenda. The Committee on Petroleum as Weapon against Imperialism and Israeli Aggression discussed two papers, the first by M. Jack Colon, from France, was entitled Petroleum and the Strategy of Anti-imperialist Forces; in this paper M. Colon has stressed the necessity of unifying the means for resisting international oil monopolies. The second paper by Mr. Hamid Al-Safadi, from Iran, deals with oil as part of the political and military schemings of imperialism and mentions U.S. attempts to impose its influence on oil producing states through its petroleum monopolies.

The Committee on Oil as Instrument for Social Development and Progress discussed two papers. The first submitted by the Iraqi National Oil Company (INOC) was on the success of the experiment of direct exploitation of oil in Iraq and which was

Cont'd...

a review of the company's activity since its establishment and its role in the process of oil industry. The second paper by Jean Toscus, from France, was on the International Legal System of Fuel and the International Law on Development. M. Toscus called for the establishment of an international organization for oil and energy to safeguard the interests of both exporting and consuming countries.

The committee on Concessions, Participation and Nationalization discussed a paper by L. Mordvin, from the Soviet Union in which the writer dwelt on his country's role in providing support and assistance to enable the Arab countries develop their national petroleum industry.

Seminar's Importance Stressed

Meanwhile, the heads and members of participating delegations unanimously affirmed the importance of this seminar in supporting Iraq and the Arab Nation's struggle against imperialism and Zionism and in the economic liberation of the Third World countries. Sd. Mohammad Sabih, representative of Palestine at the Afro-Asian Peoples Solidarity Organization said that all participants showed absolute support to Iraq's decision on nationalization of oil monopolies. The decision gave a tremendous impetus to the Arab Revolution in its encounter with imperialist pressures and reactionary conspiracies. All discussions in the Seminar, he said, proved one fact which says victory is bound to be the ally of the Arab Nation when this nation has liberated its natural wealth and realized the slogan 'Arab Oil is for the Arabs'.

The well-known oil expert Sd. Abdulla Al-Turaiqi, said that the Seminar would provide an opportunity to Iraqis, their friends and to all those believing in the right of peoples for liberating their economic resources, to be informed that the Iraqi action was but an action that every people, suffering from exploitation and domination of imperialist monopolies, should take. Sd. Turaiqi asserted that the Iraqi people's endurance would guarantee the success of the nationalization decision. The encounter with the monopolies, he said, will not last more than one year and part of a year; the world is in need of the Iraqi oil and, as such, all imperialist schemings to abort Iraq's historic step is doomed to utter failure.

Cont'd...

Sd. Abu Saif Yousif, Member of the People's Council in the Arab Republic of Egypt described the Seminar as 'assuming a historic significance for being held at a time when the Arab Nation is passing through a most critical circumstance of its history and is in a dire need to use its natural resources for the purposes of its battle of destiny'. The nationalization of oil, he said, is one of the best means for striking at U.S. monopolies and for recovering the Arabs' legitimate rights. In its historic decision Iraq gave the states confronting the Zionist enemy an additional power and confidence for achieving victory, he said.

International Oil Seminar
Committees Continue Discussions
for Third Day Running

The specialized committees set up by the International Oil Seminar continued for the third day running discussions on research papers.

The committee on Petroleum as a Weapon Against Imperialism and Israeli Aggression discussed on 13th November a research paper on 'Strategic and Tactical Problems in the struggle against Petroleum Imperialism', submitted by Mr. A. Eleanov, from the Soviet Union. The paper indicated that imperialism and monopolies utilized the Zionist structure and encouraged its aggression to impede the progressive social and economic transformation process in the Arab countries. Mr. Eleanov pointed out that by nationalizing the monopolistic IPC, Iraq dealt a shattering blow to the myth which says that oil producing countries cannot administer the oil operations. The course of events which followed the Iraqi oil nationalization has proved that Iraq managed to market his oil without reliance on others and without IPC intermediation. He stressed that a coordination of the anti-monopoly attitudes of producing countries constitute a sure guarantee against exploitation and for liberation of their economies.

Sd. Zuhair Al-Khani, from Syria, in a research paper submitted to this committee, exposed the elements of association and inter-connection in stages of planning and execution between Zionism and Israel on one hand and the companies monopolizing Arab oil on the other. He showed in figures that Israel received billions of Dollars from the imperialist and monopolist states to enable it continue with its assignment as an outpost for imperialism and to carry on with its

Cont'd...

attempts in realizing the expansionist objectives of Zionism and in attracting millions of world jewry, so that Israel becomes an established power in the area.

The discussions of the Committee on Oil as Instrument for Development and Social Progress concentrated on two papers, the first paper entitled lessons to the Oil Producing Countries was submitted by Sd. Husain Fahmi, Representative of the Egyptian Council for Peace. Sd. Fahmi stated that Iraq's nationalization of the monopolistic IPC served a lesson to the oil producing peoples in their struggle for recovering their wealth and for nullifying the policies that are detrimental to their national economy. The achievement of economic liberation in Iraq and the placing of petroleum wealth in the service of the people, he said, represent an integral part of the World national liberation movement and the World peace movement, both of which having expressed full support to the nationalization measure resorted to by the Government of the Revolution in this struggling Arab country. Discussions then ranged a research paper on 'Oil as a Transient Financial Resource for the Development Process' submitted by Dr. Eugen Keminche, Member of the International Economic Council. Dr. Eugen Keminche referred to a probable depletion of the World oil reserve in the next 40 or 50 years and said that exporting countries should draw up development strategies in the light of this fact, and stressed the necessity of utilizing oil revenues in development projects with priorities given to agricultural development and to realization of advanced industry.

The Committee on Concessions, Participation and Nationalization discussed two research papers. The first on Monopolization and Oil Industry was submitted by Sd. Saif Iben Ali, from Bahrain. The writer emphasised that the monopoly companies were working to paralyse the Organization of Petroleum Exporting Countries (OPEC) and to weaken its activity through direct and bilateral dealings with the producing countries. In this connection, Sd. Ali cited as example the Iranian Government's opportunist attitudes after the signing of the Teheran agreement, and its unilateral decisions as well as its withdrawal from the participation negotiations conducted by OPEC with the companies. The interests of oil producing states and the use of their petroleum to the purpose of their development can only be achieved by nationalization; the participation in concession capitals cannot substitute for nationalization, he said. The second paper discussed by the committee was submitted by

Cont'd...

Sd. Aziz Isbahi, from the Baghdad newspaper Al-Thawra. The writer dealt with the factors of success in the Nationalization Experiment. He said in the introduction that nationalization was one in a series of steps and important political developments made by the progressive regime in Iraq after the July 17 Revolution. The factors of success in the nationalization of oil in Iraq have been secured by the new transformations and by the new relationships developed between the authority and the people. They have also been secured thanks to the adoption of the policy of diversified revenues, development of national economy, national oil marketing and the diplomatic oil activity pursued by the National Oil Company. These factors have positively been enhanced by the attitudes of the socialist states chief among which is the Soviet Union, he said. Sd. Isbahi affirmed that the policy of the monopolistic companies designed to disrupt national economy would only meet failure, in view of the rapid change in World conditions in favour of the progressive and democratic forces and due to the development of a sharpened World public opinion vis-a-vis the manoeuvrings of imperialism and its monopoly companies.

The Oil Seminar resumed its activities on the evening of 13th November with the committee of "Oil as a Weapon against Imperialism and Zionist Aggression" holding a meeting. The members of the committee discussed a report of Sd. Aziz Sherif, Secretary General of the National Council for Peace and Solidarity in Iraq. The report dealt with the question of the Iraqi national front, the Arab struggling front and the solidarity with the international front of the liberation forces, being a deadly weapon in the struggle against oil imperialism.

Sd. Sherif also described the struggle of Iraq and the stage it reached in the nationalization of oil, as part of the general struggle in the area against the aggressive imperialist-Zionist-schemes, and that it also represented a development in the struggle against the imperialist and reactionary forces on the Iraqi territory; the forces chiefly represented in the world oil monopoly interests.

He then reaffirmed that struggling against the monopolies would require patience and collective work, in solidarity between the progressive national forces in Iraq, the Arab countries and the world forces of liberation, also close cooperation for mobilizing the public opinion, in conjunction with the peoples and governments who are concerned in the success of the struggle of the people of Iraq.

Cont'd...

Sd. Sherif then explained that the higher interests of the liberation of Iraq and its people, Arabs and Kurds and the minorities, are a solid base on which the national unity is set up, as far as nationalist relations are concerned. He reaffirmed that the solidarity of the national political forces in the country is getting more serious and gaining more power so long as the country is taking the way of liberation and solidarity with the world progressive forces.

Sd. Sherif then talked of the coordinated Arab struggling attitude and stressed the necessity of the unity of struggle emanating from the Arab masses, and that solidarity with the liberation and peace forces hostile to world imperialism, with the socialist states and the Soviet Union in particular, be firmly established.

He then praised the support and assistance rendered by the friendly socialist states, with the Soviet Union in the forefront. He described their support as a basic prop for our struggle in the field of the liberation of our oil wealth before and after the nationalization. He gave examples to this in the agreements between Iraq and the Soviet Union in different fields, culminated with the treaty of friendship and cooperation between the two countries.

After that, he reviewed the attitudes of support of the peace and solidarity movements and the world national and democratic forces towards the Iraqi and the Arab causes, and said that such attitudes had a prominent role in the endurance of our people against the imperislist schemes.

International Oil Seminar
Winds Up Activities -
Issues Declaration of
Support to Iraq

The 3-day International Oil Seminar wound up its activities on the evening of 14th November and issued the following declaration on Iraq:

The International Seminar on "Oil as a Weapon in the Struggle against Imperialism and Israeli Aggression and as a Means for Independent Economic Development," organized by the

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World Peace Council, the Afro-Asian Peoples' Solidarity Organization and the National Council for Peace and Solidarity in Iraq, was held in Baghdad, Iraq, from November 11-14, 1972. Its participants from 34 countries hold various political and ideological convictions and work in different scientific and social fields, oil institutes, ministries and in 10 international organizations. The Seminar considers: The oil wealth of Iraq has been exploited by the imperialist oil monopolies for the last fifty years, in spite of the fact that Iraq was declared completely independent in 1930. Because of the oil monopolies' domination over the country's economic and political life, its oil resources have not been used rationally in the real interests of the people.

Iraq, after a strenuous struggle since the Revolution of July 1958, exercised its right of sovereignty by nationalizing the Iraq Petroleum Company on June 1, 1972. Thus, it has liberated about 2/3 of its oil wealth and has created the necessary conditions for using this wealth to raise the living standards of its people by integrating oil into the national economy. Moreover, the nationalization of the IPC is a very important step toward liberating all oil resources from monopolist domination and achieving complete economic independence.

By nationalizing the IPC Iraq has dealt a heavy blow to imperialism. This is meeting with fierce resistance from the imperialist oil monopolies. These monopolies have organized an international boycott of the nationalized oil. They are exerting pressure on consuming countries to prevent them from buying Iraqi oil; they have also resorted to sabotaging the united stand of the OPEC and its resolutions in support of Iraq, by colluding with the governments of Iran and Saudi Arabia which have increased the oil production of both countries in order to undermine the marketing of Iraqi nationalized oil.

The International oil cartel is introducing participation between imperialist oil companies and oil-producing countries as an alternative to nationalization, after Iraq nationalized the I.P.C. It aims to maintain the domination of the imperialist oil monopolies in the Middle East. Such participation with such aims of perpetuating monopoly exploitation is contradictory to the cause of liberation of national oil resources.

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The Seminar welcomes the initial successes which Iraq has achieved, despite the hostile efforts of the imperialist monopolies and reactionary forces, in marketing 2/3 of its oil production from the nationalized fields. These successes have been achieved thanks to the assistance of the Socialist countries, mainly the Soviet Union, and the cooperation between Iraq and several Asian and Western European countries which have established direct relations, without the intervention of the oil monopolies.

The Seminar considers that the battle against the I.P.C. and oil monopolies has not yet been definitely won. It emphasized the need for a number of prerequisites for the decisive victory of the Iraqi people in this vital battle. These are:-

- National unity, based on the realization and consolidation of the united democratic front of the main political parties and forces, will mobilize the broad masses to defend their gains and achieve and consolidate economic independence.

One of the cornerstones of national unity is the fraternal national militant relations between Arabs, Kurds and national minorities, on the basis of autonomy of the Kurdish people within the Iraqi Republic.

- The support of the Arab masses and cooperation between anti-imperialist and progressive Arab States, especially oil-producing ones, is a very important factor for the success of the Iraqi people in consolidating nationalization.
- The Soviet Union and other Socialist countries have assisted Iraq in starting its independent oil production and in marketing an important part of its nationalized oil. The further development of cooperation and assistance is a real guarantee against the boycotts and schemes of the imperialist oil monopolies.

- The participants in the International Oil Seminar extend their warmest greetings to the Iraqi people and government on their victory in nationalizing the I.P.C. and urge the forces of peace and progress throughout the world to lend their solidarity to help secure the success of the nationalization of this oil.

ROYAL SWEDISH EMBASSY

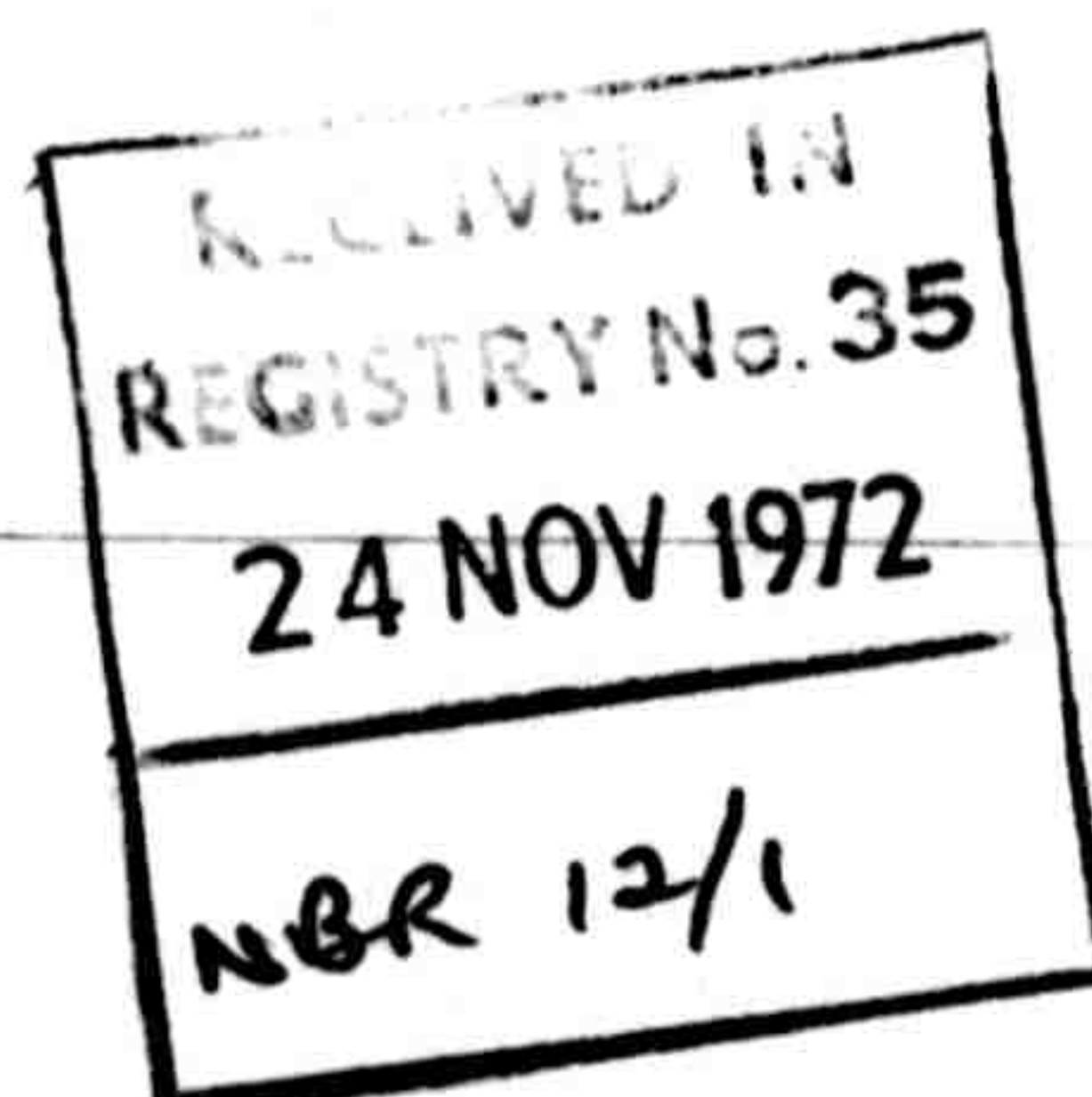
British Interests Section
BAGHDAD

G S Burton Esq
Middle East Department
F C O

Your reference

Our reference 12/1

Date 20 November 1972



Dear Graham,

OIL SEMINAR

1. As promised in my letter of 16 November I am enclosing a published account of the recent Oil Seminar in Baghdad.
2. There are few points which I can draw to your attention in this tankful of words, but you may notice that
 - a. Britain is not mentioned from beginning to end;
 - b. President Bakr wishes (Page 4) to "maintain relations of mutual benefit with oil consuming countries for, he believes " the European countries will opt for their national interest in the first place";
 - c. The proposed debate on the 'Nato Pact and Arab Oil' (page 23) is not reported and probably did not amount to anything;
 - d. The Kurds as "a corner stone of national unity" are mentioned in the final resolution (page 30);
 - e. And finally there was no comfort for IPC in the proceedings of the seminar.

Yours ever
I. McCluney

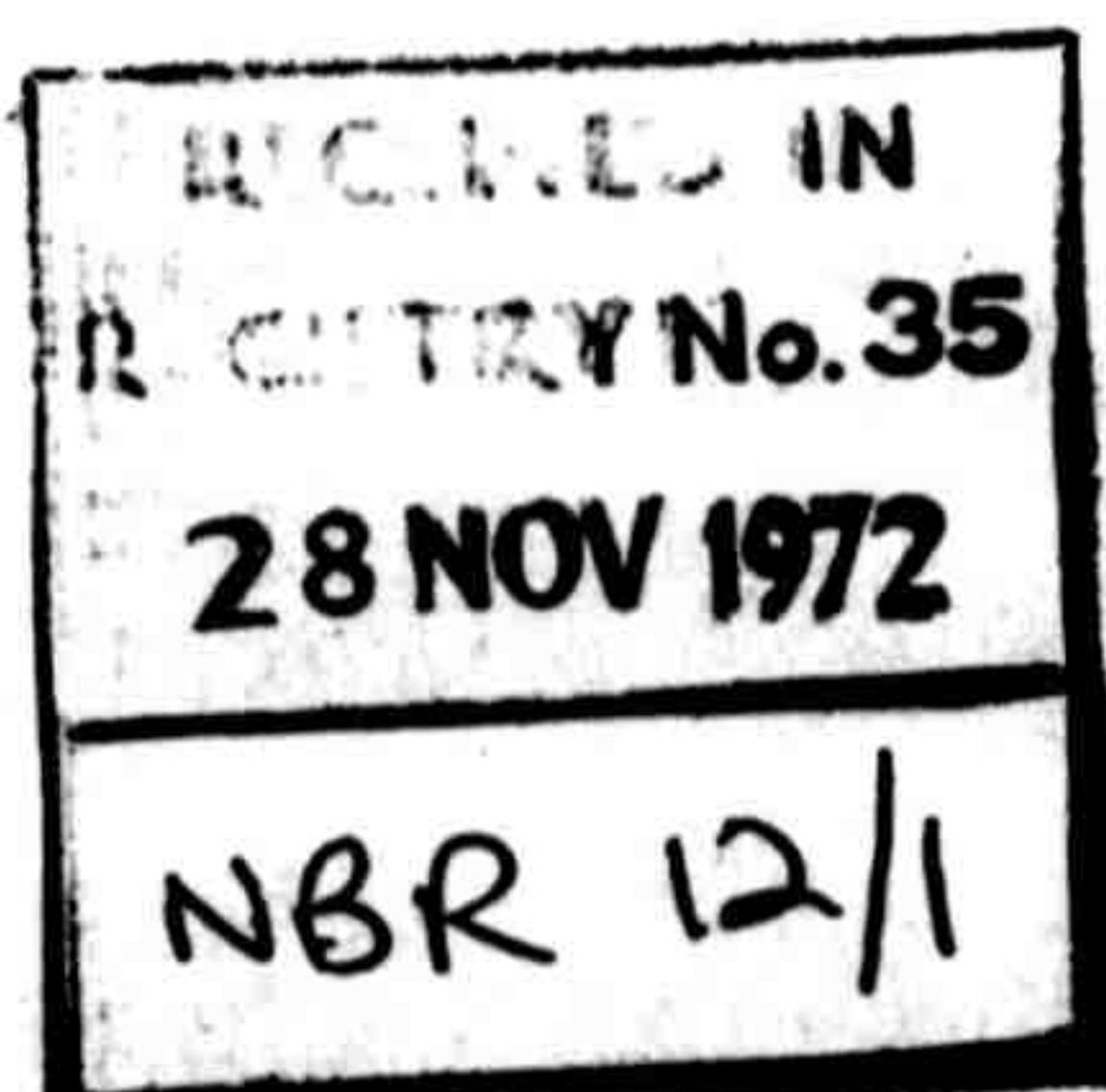
I McCluney

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B/IRA incc

25 November 1972

V B R Baker Esq
Overseas Projects Group
Dept of Trade & Industry
1 Victoria St
London SW1



Dear Baker

INOC Deep Sea Terminal Project

1. Please refer to David Wright's letter to you of 10 June, 1972 forwarding specifications for the above project.
2. We have seen few signs of British firms being interested in this project, which is perhaps understandable in present circumstances, but also regrettable as it is a very large job worth in all about ID 25 million.
3. From what I have heard from French, Japanese and Dutch firms have submitted offers, and INOC is likely to follow the political trend and award the main contract to the French. You will recall that the French oil consulting engineering firm ERAP made the design studies for the deep sea terminal.
4. On completion this deep sea terminal will provide a second and much larger (500,000 barrels a day) outlet for INOC in the Gulf. The present INOC terminal at Fao is a small one suitable only for tankers up to 35,000 tons. I believe there are plans for a joint Iraqi-Soviet shipping company to build and operate tankers of 120,000 tons to serve the new deep sea terminal.
5. Copies of this letter are being sent to Ashwood in CRE Dept, DTI, Smith in Middle East Dept, FCO, and Seott in ECGD.

Yours sincerely

P Donovan

Copied to:
J Ashwood, GRAE, DTI
B Smith, Middle East Dept, FCO
I Seott, ECGD

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Mr Whitehead

IRAQ AND THE IPC

1. Mr Stockwell, Managing Director of the Iraq Petroleum Company, this morning gave me the following account of the current state of the negotiations with the Iraq Government. He asked that it should be kept strictly confidential for the time being.

2. Danner and de Liefde had had several discussions with Yamani in Baghdad last weekend and had then put to the Iraq Government a written proposal for a general settlement of all issues in dispute between the IPC and the Iraq Government. The following are its main elements:

(a) Kirkuk

The IPC should be provided with 30m tons of crude at no cost over the two years following a settlement. The IPC should be provided with 10m tons a year for 10 years at 10 cents a barrel off current market price. In return, on signature of the settlement the IPC would pay to the Iraq Government £120m to cover all outstanding claims. In addition, the Iraqis would give the shareholding companies of the IPC options on further purchases at normal East Mediterranean commercial prices.

(b) Rumaila

The Iraqis would permit the IPC to purchase 125m tons of oil over 10 years at a 5 cents per barrel discount. All Rumaila oil would be shipped through Basrah and the IPC would be paid a small surplus over the actual cost of providing this service as a partial compensation.

(c) The Mosul Petroleum Company's operations would be given up by the IPC without compensation.

/ (d) ..

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(d) Basrah

Participation would be introduced for the Basrah Petroleum Company on the basis of the Yamani settlement and its production expanded to 80m tons a year by 1978.

(e) There would be separate provisions for the IPC, and its shareholding companies, to buy further quantities of Iraqi oil at commercial prices.

3. The Iraqis told Danner and de Liefde that they wanted to settle quickly and therefore hoped that a Heads of Agreement could be signed by the end of the year. The Iraqis also wanted this to be a complete package so that the various individual elements could be "covered up". When the written proposal was given to Hammadi, the Iraqi Minister of Petroleum, he argued that there would have to be modifications both as regards the compensatory elements and also reducing the quantities of oil involved. Additionally, he said that the Iraq Government would want to pay for its participation compensation for Basrah in oil rather than in cash.

4. Danner put these proposals to the shareholding companies of the IPC on Monday 27 November and the shareholders have instructed Danner, de Liefde and Stockwell to submit possible modifications to their proposals which would go a little further toward meeting the Iraqis. These modifications are to be submitted later this week to the shareholding companies and, after these are agreed, Danner and de Liefde will go back to Baghdad, probably next weekend, to submit them to the Iraqi authorities.

5. Mr Stockwell said that in effect the Iraqis were getting a clear bill of health for both Rumaila and Kirkuk at the cost of 7 months

/production

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production and undoubtedly would get their participation in the Basrah Petroleum Company in return for Rumaila oil. If this settlement were agreed by both the IPC and the Iraq Government, BP would be the shareholding company with the worst of the bargain. BP would be losing all possibility of a competitive position on East Mediterranean oil in exchange for about 13m tons of oil during the next two years. CFP, on the other hand, would be a considerable beneficiary since it would be continuing to get 10m tons of oil a year at cost for the next 10 years plus its various incidental benefits under the new proposals. This would give CFP a tremendously advantageous position on East Mediterranean oil and would result in it becoming the dominant supplier of Iraqi oil to the West European markets.

G B Chalmers
Oil Department

28 November 1972

Copied to:
Mr L Williams DTI
Mr P Wright MED

Mr Parsons
Mr Watts DTI

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With the compliments of

**ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD**

Mr. Burton
28/11
pa

P.O. Box 2032, Alwiyah

10. Exports of Nationalized Kirkuk Crude Top 8.5 Million Tons: According to an Iraqi News Agency report from Baghdad on 4 November, total Iraqi exports of nationalized Kirkuk crude from the Syrian port of Banias in the period between the resumption of pumping on 7 July and 7 November amounted to 8,042,164 tons (486,421 b/d).

The monthly published figures of Kirkuk crude exports from Banias since 7 July are as follows:

<u>Month</u>	<u>Metric Tons</u>	<u>Barrels/D</u>
July	600,000	180,000
August	1,750,000	423,387
September	2,308,710	577,177
October	<u>3,075,664</u>	<u>744,112</u>
Total	7,734,374	495,793

IRAQ-SYRIA

11. Iraq and Syria Resume Negotiations on Transit Dues: On 12 November, Iraq and Syria resumed negotiations in Damascus concerning oil transit dues following the nationalization of IPC's operations in both countries last June (for background on the Iraqi-Syrian transit dispute, see MEES, 13, 20 and 27 October). The Iraqi delegation is led by Dr. Fakhri Qadduri, head of the Economic Bureau attached to the Revolutionary Command Council, and the Syrian team by Dr. Ibrahim al-Ghassani, the assistant Minister of Finance.

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FINANCIAL AID FOR IRAQ.

1. BEFORE HE LEFT FOR THE OPEC MINISTERIAL CONFERENCE IN LAGOS, A MEMBER OF THE KUWAITI DELEGATION SAID THAT ATIQUI (KUWAIT), YAMANI (SAUDI ARABIA), ABDUL SALAAM (ALGERIA), IZZUDDIN MABROUK (LIBYA) AND SADOUN HAMMADI (IRAQ) WOULD BE MEETING SOON AFTER ARRIVAL TO DISCUSS THE PROVISION OF FURTHER FINANCIAL ASSISTANCE TO IRAQ. HE WAS UNABLE TO SAY WHAT SUMS MIGHT BE INVOLVED.

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*see enter on oil in
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436	226	5/11	52
437	227	5/11	127
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448	228	23/11	29

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Iraq wants to deal

The long, bitter dispute between Iraq and the western-owned Iraq Petroleum Company is likely to be resolved within the next few weeks. For the first time both parties are negotiating seriously

The new talks began in Baghdad shortly after the arrival of the Iraq Petroleum Company's negotiators there on Wednesday, and they are the first really hopeful signs in a situation that has been stalemated since June 1st, when Iraq nationalised the rich Kirkuk oilfields belonging to IPC, which in turn is owned by British Petroleum, Royal Dutch/Shell, the Compagnie Française des Pétroles, the Standard Oil Company (New Jersey), Mobil and the Calouste Gulbenkian interests.

The talks have apparently been made possible by two favourable occurrences: the substantial acceptance by the other Arab oil-producing countries of participation agreements with western oil companies and the reasonableness of the terms offered to the Iraqis by IPC's negotiators on November 20th. Dr Saadoun Hammadi, the Iraqi oil minister, has indicated that he would want certain modifications but at the same time has expressed a sincere wish to negotiate—and quickly. The talks could fall through at any moment but observers think the odds favour a settlement.

What was offered on November 20th amounts to an umbrella deal that would cover not only the Kirkuk situation but also two other outstanding issues: the Iraqis' seizure of the North Rumaila field in 1961, for which IPC has never been compensated, and the future of two IPC affiliates, the Basra Petroleum Company and the Mosul Petroleum Company, which so far have been running normally, almost as if there were no dispute at all between Iraq and IPC. It is now thought that the package deal proposed by the IPC negotiators puts forth a figure for Kirkuk compensation, plus the terms on which the former owners will receive future oil, proposes conditions for the purchase of North Rumaila oil by IPC parent companies and opens the way for the Basra and Mosul companies to be gradually handed over to the Iraqis along the lines laid down by the participation agreement with other Arab countries. The idea is to avoid trying to achieve perfect justice on all matters provided a working formula can be found.

If an agreement does come in Iraq, it will not only end the drama there but conclude what is likely to be regarded as one of the most important chapters in the trials and tribulations of the international oil industry.

It revolves around the participation agreement and, as

this has yet to be formally accepted anywhere, the house of cards could collapse at a breath. However, this is unlikely. The agreement was negotiated with the western oil companies by Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, so it is presumably to Saudi Arabia's liking. Kuwait's negotiators have reportedly obtained the pricing arrangements they sought, although the deal must still be sold to Kuwait's national assembly. Qatar and Abu Dhabi both have minor points they want to argue but are expected to accept the agreement with little trouble.

The agreement will also affect oil-producing countries outside Sheikh Yamani's representation, such as Nigeria, which is expected to start its own negotiations in earnest next month but which is likely to settle on the lines defined by Mr Yamani. Iran used the pressure from the drive for participation to make its own highly attractive deal with the oil companies last summer. However, Sheikh Yamani managed even better terms so the Iranians are now demanding more for themselves. They will undoubtedly get more because there is little at issue between them and the oil companies. Libya, on the other hand, which of all the members of the Organisation of Petroleum Exporting Countries (Opec) has taken the hardest line against the oil companies, will probably not reach an agreement with the companies for some months, if then. Having failed to move the other oil producers to a more extreme position, the Libyans are unlikely to accept the Yamani formula until time and events have obscured the issues a little. In the meantime, they can be expected to continue their policy of harassing the weaker oil companies operating in their country with immediate demands for a 50 per cent participation stake, which compares with the 25 per cent accepted by Sheikh Yamani, rising by steps to 51 per cent in 1983. The Libyans cannot expect to budge the major oil companies with such tactics since the companies would put the whole, hard-won participation agreement in jeopardy if they agreed to give the Libyans more than the rest. They would sooner lose Libyan oil.

The participation agreement will not have much effect on the other three Opec members, Algeria, Venezuela and Indonesia, all of which have their individual approaches to these matters, but their absence is hardly

P 70

(2)

CONFIDENTIAL

going to change the big picture for the oil companies once the participation agreement is signed all around. It is going to be different in major ways from the picture up till now but it may not be as different as many people think. Alongside the new pressures for change in the industry there will continue to exist many of the old stabilising forces.

On the face of things, the producer countries appear to have had largely their own way in the participation talks but the fact that they were negotiated peaceably indicates that most of the producer countries now accept that just as the oil companies need them, they need the oil companies to provide access to the world's major markets, without which the oil would be worth only what it could be bartered for with Russia and the other communist countries. As time goes by, the producer countries

will accumulate more and more control over the oil produced in their own fields and may well make direct deals with consumer countries, some of which, like Japan and west Germany, would leap at the opportunity. However, these deals are unlikely to amount to much unless the consumer countries can offer them more than the major oil companies, and in such a competition most of the advantages lie with the oil companies. The producer countries may also make good their expressed wish to invest in the downstream operations of the oil industry, taking an interest in tankers, refineries and even service stations, but there is great doubt about whether they have the technical and managerial resources to do this on their own. Their likeliest partners in such ventures would be the oil companies, so how much control would the oil companies lose?

REVIEWERS SLIP
RESTRICTED WHEN COMPLETED

SS SIS MOD JIC

GCHQ LRT Officer

Head Historians

Class/ref..... *F60 8*

Piece no. *1904*

Ref/folio. *(63) - (64)*

Sensitivity of the material is

PERSONAL

INTERNATIONAL

INTELLIGENCE RELATED

OTHER (SPECIFY)

RHD Reviewers Recommendations

~~Release or~~

Block *63 & 64 = E6*

*(Review of Victim
Conv- by ~~HM~~ HM6)*

Name. *D. Hunt* Date. *21 Nov/02*

Other Reviewers Recommendations

Release or

Block

Initials.....Date.....

Instructions for HP

Release ~~or see~~ Action Sheet

see P. Penon mem. 20/5

Name. *K. G. Llewellyn* Date. *13/6/02*

LRT Officer

RESTRICTED WHEN COMPLETED

8

M. B. 12/12
12/17

R C Hope-Jones Esq CMG
British Embassy
BRAZIL

RECEIVED IN
REGISTRY No. 35
12 DEC 1972
NBR 12/1

EPH

6 December 1972

PETROBRAS IN IRAQ

1. It was announced in Baghdad on 2 December that the Brazilian State Oil Corporation, PETROBRAS is to begin seismic surveys in the Ali Al-Gharbi and Basra in mid December. They have entered into a contract with the Iraq National Oil Company to offer technical, financial and marketing services in exchange for guaranteed sales.

2. The press release goes on:

"Petrobras will provide all necessary funds to finance exploration and surveying activities, as well as appraisal, development, and exploitation activities, together with all operational expenses in the event of commercial production. The funds utilised for exploration activities will be interest-free loans, payable on the realization of commercial production, while those utilised for financing, appraisal, development, and exploitation will be loans with interest.

"Apart from guaranteed sales for Petrobras, the latter will market or purchase up to 15 million tons a year of crude produced under the contract at prices of the world market. The duration of the contract will be seven years from the effective date of exploration, surveying, and appraisal activities, and twenty years from the date of commercial production for development and production operations, providing that the whole duration of the contract will not exceed 24 years from the effective date. Three areas, where oil has not been discovered, were allocated for Petrobras activities totalling about 7900 Sq.kms. They are located between Falluja and Baghdad, in Ali Al-Gharbi, and to the east of Qurna city."

3. This formal contract may be of interest to you.

c.c. Oil Department FCO
Middle East Department FCO

I McCluney

CONFIDENTIAL

PRIORITY
CYPHER/CAT A
AND BY BAG

TOP COPY

FM F C O 141700Z DEC 1972

(MF 12/359/2)

CONFIDENTIAL.

TO PRIORITY UK DIRECTOR IMF/IBRD WASHINGTON TELNO.EAGER 340 OF
14 DECEMBER INFO SAVING THE HAGUE PARIS TEHRAN.

IRAQ AND THE IPC.

1. YOU MAY WISH TO PASS ON TO MCNAMARA THE FOLLOWING SHORT STATEMENT OF DEVELOPMENTS IN THE NEGOTIATIONS BETWEEN THE IPC AND THE IRAQ GOVERNMENT SINCE OUR EAGER 330 OF 30 NOVEMBER.
2. DANNER, THE FRENCH CO-MEDIATOR, AND DE LIEFDE OF SHELL, REPRESENTING THE SHAREHOLDING COMPANIES OF THE IPC GROUP, RETURNED TO BAGHDAD LAST WEEKEND TO RESUME TALKS WITH THE IRAQIS. THE GOVERNMENT PRESS IN IRAQ CARRIED A STATEMENT ON 4 DECEMBER TO THE EFFECT THAT IRAQ HAS NOW QUOTE ESTABLISHED A BASIS FOR A FINAL SETTLEMENT WITH THE SHAREHOLDING COMPANIES OF THE IPC UNQUOTE. THERE ARE THEREFORE HOPES THAT THE IRAQIS ARE GENUINELY INTERESTED IN A SETTLEMENT THIS TIME. PROGRESS IN THE RENEWED TALKS APPEARS REASONABLE SO FAR ALTHOUGH THE FINAL OUTCOME IS NOT YET CERTAIN.
3. WE HOPE TO BE ABLE TO SEND YOU A FURTHER REPORT ON THE NEGOTIATIONS TOWARDS THE END OF THIS MONTH.

DOUGLAS-HOME

MONETARY DISTRIBUTION
MED
OIL D
FPAD

COPY TO: MR BRETHERTON
PETROLEUM DIVISION DTI

CONFIDENTIAL

*BB 12/12
ja*

Commercial in Confidence



Department of Trade and Industry

Overseas Projects and Technology Division
1 Victoria Street London SW1H 0ET
Telex 27386 Answer Back DTIHQ London
Telegrams Advantage London SW1

Telephone 01-222 7877 ext 3630

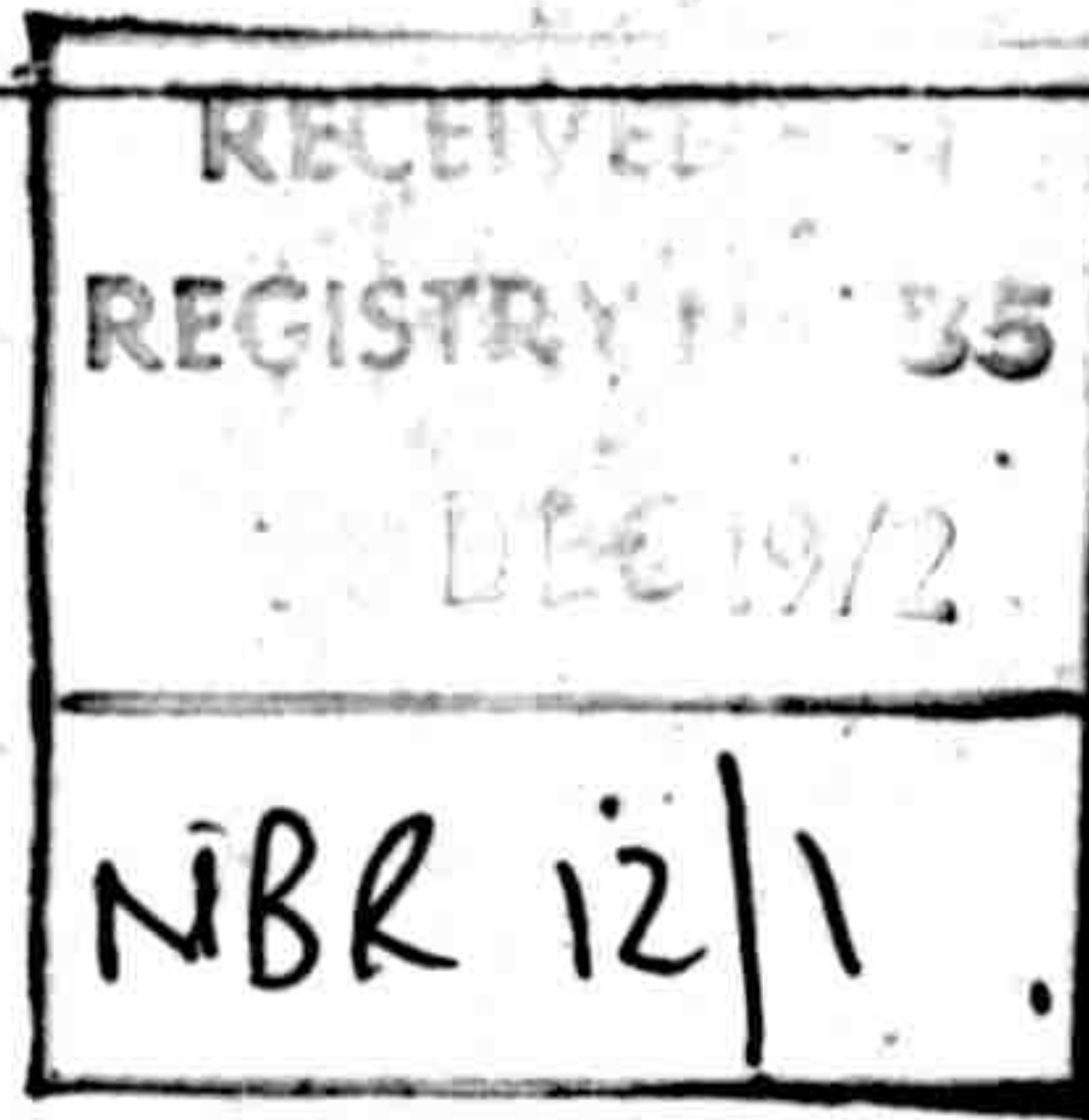
88
Copy for Mr B. Smith
F.C.O.
(Middle East - Dept.)

F Donovan Esq
British Interests Section
Royal Swedish Embassy
P O Box 2037
Alwiyah
Baghdad, Iraq.

Your reference B/IRA inoc

Our reference OFG 1339

Date 15th December 1972



SB 18/12
js

By Diplomatic Air Bag

Dear Donovan

INOC DEEP SEA TERMINAL PROJECT

7a- Thank you for your letter of 25 November concerning the above project.

We loaned copies of the preliminary study documents to a number of British firms following the publication of an EIS notice on 14 June inviting interested companies to contact O.P.T.

We were sorry to learn of the paucity of British interest in the project and can only assume that it is partially because of the difficult trading conditions in Iraq.

Yours sincerely

V E R Baker

Mr Smith.

RECEIVED IN
REGISTRY No. 35
18 DEC 1972
NBR 12/1

Mr Smith

CONFIDENTIAL

Reference

This seems clear enough. I suggest that its enclosures be circulated in Dept with copies for Mr Hyatt and ourselves 18/12/72
Mr Burton - MED

Yes. The message needs to be amended. 15/12.

Enter 18/12

18/12

BU 11/1/73

18/12

TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY

1. We recently discussed the arrangements for handling IPC telegrams from 1 January 1973, when your department will take over this responsibility. For ease of reference I attach copies of our circulars of 22 March 1971, 5 January 1972 and 28 January 1972, (not to other recipients).

2. The practical rules on which we are at present working may be summarised as follows:-

- (a) Most telegrams go Priority or Immediate Deskby 0530Z the next day.
- (b) In a crisis we use Immediate Deskby transmission time plus 3 hours or in very exceptional cases Flash. We ask Mr Stockwell's Secretary, Miss Flanagan, to state the desired time of receipt in cases where action the same day is required. The Company is cooperating fully in keeping down the number of such messages.
- (c) Messages from Baghdad. We have agreed with the IPC that the Resident Clerk will pass on all out-of-hours messages to Mr Stockwell (tel 66-53024) or Mr Milne (04865-3751) at home. (Para 6a of our circular of 5 January is no longer applicable).
- (d) IPC telegrams are handled on a confidential basis and are not given Oil Distribution.

3. Industry, Science and Energy Department will not wish to see copies of IPC telegrams.

G P Lockton

G P Lockton
Oil Department

14 December 1972

c.c.
Communications Dept - Telegram Examiners
Communications Dept - Distribution Selectors
Resident Clerk
British Interests Section
Royal Swedish Embassy, Baghdad
Mr. Bretherton DTI

C I R C U L A R

FCO TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY (IPC)

1. Para 3a(11) of Mr. Chalmers' circular of 5 January contained guidance on assessing the priority of messages passed to Baghdad for the IPC. We have since learned that this paragraph needs amendment in the light of comments from Baghdad. The priority markings "Immediate" and "Flash" should be used only in exceptional cases for the following reasons:-

- (a) Only messages sent by 11 a.m. will reach Baghdad in time for action in office hours to be taken the same day. The reduced staff of the British Interests Section should not be called in outside office hours except in cases of genuine need.
- (b) The frequent arrival of urgent messages after office hours at the British Interests Section in Baghdad at a time when our relations with Iraq are fairly inactive could cause suspicion amongst the Iraqis and possibly embarrassment to the protecting Swedish Embassy.

2. Our agreement to transmit messages for IPC does not entitle their traffic to a higher priority than our own. Authorisers of IPC telegrams should therefore use their discretion in assessing the priority using the following guidelines:-

- (a) IPC messages should normally be sent "Routine" or "Priority".
- (b) The marking "Immediate" should only be given if the authoriser is satisfied that it is justified, and should be accompanied by a "Deskby 0530Z" marking if it is for action the following day.
- (c) During IPC negotiations with the Government in Baghdad, instructions sent from London justify "Immediate".
- (d) Flash telegrams should only be sent where action the same day is urgently required, and the message would otherwise not be received in time.

3. The working hours of IPC are:-

Summer: 0800 to 1400 (to 1300 on Thursdays)

Winter: 0830 to 1400 (" ")

They do not work on Fridays. Baghdad is 3 hours ahead of GMT. Thus a telegram sent after 11 a.m. cannot reach anyone in IPC Office hours that day.



P G P D Fullerton
Oil Department

28 January 1972

DISTRIBUTION:

Oil Dept (5)

Near Eastern Dept (2)

Arabian Dept (1)

Communications Dept - Telegram Examiners

- Distribution Selectors

Resident Clerk

British Interests Section, Royal Swedish Embassy, Baghdad

Mr Bretherton - Petroleum Division DTI

CONFIDENTIAL

(7)

6 JAN 1972

ML 14/1

p2.
6

C I R C U L A R

FCO TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY (IPC)

1. This circular confirms and updates Mr Ellingworth's circular of 22 March 1971.

2. The IPC is a London registered oil company which has concessions in Iraq. Other companies affiliated to IPC have concessions in Abu Dhabi and Qatar. Shell and BP each have a 23.75% share in the company. We have an agreement with the IPC under which we pass urgent confidential messages for them between London and Baghdad. The origin of this agreement was that the IPC were in dispute with the Iraqi Government and therefore needed secure communications with Baghdad. This situation still prevails. The IPC pay the FCO for this service.

3. The arrangements for passing telegrams on behalf of the IPC are as follows:-

a. ACTION IN OFFICE HOURS:.

i. Inward Messages. Advance copies of IPC telegrams should be sent to the PA of the Head of Oil Department (or any other available member of the department). The PA will then telephone the IPC office. If it is a short message the IPC usually take it down. If it is a long message, or an important one requiring a confirmatory copy, the IPC send a messenger to Oil Department to collect a copy. Whoever hands over the copy is responsible for ensuring that it is "topped and tailed" (including removal of the Ambassador's name).

ii. Outward Messages. (See specimen draft attached.) The IPC either telephone these to Oil Department or send the text by messenger. Outward telegrams should be addressed to Baghdad and prefixed "Please pass following to (eg) Milne, IPC, from Stockwell. IPC/47". Then take in the text of the message. The IPC serial number will be quoted by the IPC sender. All IPC telegrams must be classified (normally Confidential). The FCO sender should mark at the top of the draft "Cost to be recovered from IPC, 33 Cavendish Square, London W1". The Baghdad Embassy are responsible for topping and tailing before passing the text on. The priority

/or

Confidential

of outward telegrams should be decided by the authoriser of the telegram. Wherever possible the IPC should be asked to state the time by which their message should reach their representative in Baghdad. Most IPC telegrams are sent Immediate. If the telegram is marked or requested 'Flash' by IPC, the authoriser should bear in mind that Baghdad is 3 hours ahead of GMT and that the telegram may not be needed by the IPC recipient in Baghdad in the middle of the night. He should therefore use his discretion as to the priority marking of the telegram to avoid calling out the Embassy staff unnecessarily at night. The IPC in Baghdad start work at 0800 in summer and 0830 in winter. The Embassy keeps much the same hours. It may therefore often be sensible to send telegrams marked 'Flash' by the IPC with a Deskby 0515Z (0815 local time) precedence with the suffix 'first contact'.

b. ACTION OUTSIDE OFFICE HOURS:

i. Inward Telegrams. Advance copies of IPC telegrams should be sent to the Resident Clerk who should telephone the message to an IPC official at home (see list of names below). He should then minute his copy of the telegram to Oil Department stating the action taken, time, etc.

ii. Outward Telegrams. Any request from the IPC to send a telegram out of office hours should be referred to the Resident Clerk who should take the telegram down and dispatch it as in paragraph 3 a.ii. above.

4. DISTRIBUTION. The distribution of IPC telegrams should normally be:-

Files
Oil Department
NED
Mr Keeble.

Oil Department are responsible for separate action to copy to the DTI and the Treasury the text of IPC messages (other than "private" communications on such matters as staffing). IPC telegrams should not be given oil distribution, unless expressly requested by Oil Department.

/5.

Confidential

5. **COLLECTION OF COSTS.** The costs of all IPC telegrams are collected from the IPC. Arrangements are made for the cost of inward IPC telegrams from Baghdad to be collected in London.

6. IPC ORGANISATION. The following are the names of IPC officials normally concerned with these arrangements:

a. LONDON

Iraq Petroleum Co Ltd 629-9405
33 Cavendish Square
London W 1

Mr G G Stockwell
Managing Director

Office x 2161
Home: 36-530-24
(Farnborough)

later changed
to 66-53024

Miss Flanagan Office x 2106
PA to Mg Dr

Mr R E R Bird. Office x 2132
Home: 06-282-7679
(Maidenhead)

0628-27679.

b. BAGHDAD

Mr R Milne
Chief Representative
in Iraq

7. This circular confirms the existing arrangements, and introduces no major changes in the system. I would be grateful, however, if it could be brought to the attention of newcomers in any of the departments to which it is distributed, and if possible brought up on a 6-monthly basis.

G. Lucian Chesson.

G B Chalmers
Oil Department

5 January 1972

DISTRIBUTION:

Oil Department (5)
Near Eastern Department (2)
Arabian Department (1)
Communications Department - Telegram Examiners
Communications Department - Distribution Selectors
Resident Clerk
British Interests Sections, Royal Swedish Embassy, Baghdad

regular

10 TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY (IPC)

The IPC is a London registered oil company which has concessions in Iraq. Other companies affiliated to IPC have concessions in Abu Dhabi and Qatar. Shell and BP each have a 23.75% share in the company. We have an agreement with the IPC under which we pass urgent confidential messages for them between London and Baghdad. The origin of this agreement was at the IPC were in dispute with the Iraqi Government and therefore needed secure communications with Baghdad. This situation still prevails. The IPC pay the FCO for this service.

The arrangements for passing telegrams on behalf of the FCO are as follows:-

(a) ACTION IN OFFICE HOURS

(i) Inward Messages. Advance copies of IPC telegrams should be sent to the PA of the Head of Oil Department (or any other available member of the department). The PA will then telephone the IPC office. If it is a short message the IPC usually take it down. If it is a long message, or an important one requiring a confirmatory copy, the IPC send a messenger to Oil Department to collect a copy. Whoever hands over the copy is responsible for ensuring that it is "topped and tailed" (including removal of the Ambassador's name).

(ii) Outward Messages (see specimen draft attached). The IPC either telephone these to Oil Department or send the text by messenger. Outward telegrams should be addressed to Baghdad and prefixed "following for (eg) Hahn from Stockwell IPC/47". Then take in the text of the message. The IPC serial number will normally be quoted by the IPC sender. All IPC telegrams must be classified (normally Confidential). The priority should be decided by the FCO sender. Most IPC telegrams are sent Immediate. The FCO sender should also mark at the top of the draft "Recover cost". The Baghdad Embassy are responsible for topping and tailing before passing the text on.

(b) ACTION OUTSIDE OFFICE HOURS

(i) Inward Telegrams. Advance copies of IPC telegrams should be sent to the Resident Clerk who should telephone the message to an IPC official at home (see list of names below). He should then minute his copy of the telegram to Oil Department stating the action taken, time, etc.

CONFIDENTIAL

(11) Outward Telegrams. Any request from the IPC to send a telegram out of office hours should be referred to the Resident Clerk who should take the telegram down and dispatch it as in paragraph 2(a)(11) above.

DISTRIBUTION

3. The distribution of IPC telegrams should normally be:-

Files Distribution

Oil

NED

Mr Gallagher

Mr Parsons

Copies to:-

Head of Shift, Signal Office, Communications Department

Oil Department are responsible for separate action to copy the text of messages to the DTI and the Treasury (other than "private" communications on such matters as staffing). IPC telegrams should not be given oil distribution.

COLLECTION OF COSTS

4. The costs of all IPC telegrams are collected from the IPC. Arrangements are made for the cost of inward IPC telegrams from Baghdad to be collected in London.

IPC ORGANISATION

5. The following are the names of the IPC officials normally concerned with these arrangements:-

LONDON

Iraq Petroleum Company
33 Cavendish Square
London W1

Mr G Stockwell
Managing Director

Miss Flanagan
Secretary to
Managing Director

Mr R E R Bird

Tel Nos

629 9405

Office extn 2161
Home 36 530 24
(Farnborough)

Office extn 2106

Office extn 2132
Home 06 282 7679
(Maidenhead)

BAGHDAD

Mr Hahn
Chief Representative in IRAQ

CONFIDENTIAL

6. This circular confirms the existing arrangements, and introduces no major changes in the system. I would be grateful, however, if it could be brought to the attention of newcomers in any of the departments to which it is distributed, and if possible brought up on a six monthly basis.

R H Ellingworth
Oil Department

22 March 1971

Distribution:

Oil Department (5)

NED (2)

Arabian Department (1)

Communications Department - Telegram Examiners

Communications Department - Distribution Selectors

Resident Clerk

Chancery, Baghdad

DEPARTMENT

reach addressee(s).....0515Z.....

SECURITY CLASSIFICATION

PRIORITY MARKINGS

~~Top Secret~~

~~Secret~~

Confidential

~~Restricted~~

~~Unclassified~~

~~Flash~~

Immediate

~~Priority~~

~~Routine~~

(Date).....

Despatched

[Cost to be recovered from
IPC 33 Cavendish Square W1]

PRIVACY MARKING

In Confidence

En Clair.

Code

Cypher

[Security classification
—if any]

CONFIDENTIAL

[Privacy marking
—if any]

[Codeword—if any]

Addressed to

BAGHDAD

telegram No.....

(date)

And to

repeated for information to

Saving to.....

Draft Telegram to:—

Baghdad

No.

(Date)

And to:—

Repeat to:—

Saving to:—

Please pass following to ^{Lawson} Milne, IPC, from
Stockwell.

IPC/(number).

[take in text a-b attached]

Distribution:—

FILES

OIL DEPT

NED

Mr Keeble

Copies to:—

[at discretion
of Oil Dept]

NOTHING TO BE WRITTEN IN THIS MARGIN

Registry No.
ARTMENT ML

RECOVER COST

CONFIDENTIAL
Date and time (G.M.T.) telegram should
reach addressee(s)

SECURITY CLASSIFICATION

☐ Secret
☐ Confidential
☐ Restricted
☐ Unclassified

PRIORITY MARKINGS

Flash
Immediate
Priority
Routine

(Date)

Despatched

251700Z

PRIVACY MARKING

In Confidence

En Clair.
Code
Cypher

[Security classification
—if any]

CONFIDENTIAL

[Privacy marking
—if any]

[Codeword—if any]

Draft Telegram to:—

Baghdad
No.

(Date)

And to:—

Repeat to:—

Saving to:—

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Following for Hahn from Stockwell. IPC/48

[Take in Text A-B attached]

Distribution:—

Files

011
NFD

Mr Gallagher
Mr Parsons

Copies to:—

Mr Warrington
(Petroleum Division)
—DTI—

Head of Shift
(Signal office)

NOTHING TO BE WRITTEN IN THIS MARGIN

90

TOP COPY

FLASH

EN CLAIR

FM FCO 210930Z

(MED)

UNCLASSIFIED

TO FLASH BAGHDAD TELNO 335 OF 21 DECEMBER 1972

FOR PAWSON FROM STOCKWELL.

. FOLLOWING FOR DANNER.

AGREEMENT SIGNED MIDNIGHT LAST NIGHT WITH SAUDI
ARABIA AND ABU DHABI ONLY.

DOUGLAS-HOME

FILES

MED

OIL D

usb 29/12
✓

88888

de oil in the next 10 years, worth more than 180,000,000 dollars (Tanyug in English 1839 gmt 30 Nov 72). At the same time an agreement was reached on the method of payment which envisages, besides cash, the delivery by INGRA of certain investment equipment needed by Iran (Tanyug in Serbo-Croat 0745 gmt 30 Nov 72).

IRAQ

NORTH RUMAYLAH DRILLING OPERATIONS Iraqi experts and technicians on 3rd December completed the drilling of oil well No.13 in the North Rumaylah field. The new well is one of four in the North Rumaylah field; drilling operations at the other three wells are continuing. The technical departments of the Iraqi National Oil Company have now pinpointed the locations for a further three oil wells in the same field, drilling of which will take place at the beginning of 1973. (INA in Arabic 0915 gmt 4 Dec 72)

OIL EXPORTS TO INDIA India has entered into an agreement with Iraq for the import of 1,900,000 tons of crude oil in the next three years. The first two tankers carrying Iraqi crude have been received at Haldia. (New Delhi in English for abroad 1000 gmt 27 Nov 72: FE/W702/A/18)

POSSIBLE MEXICAN AID WITH STEEL PRODUCTION Iraq is to contact Mexico in connection with the proposal to produce steel in Iraq. The chairman of the general organization for industrial designing and construction, Adnan al-Kindi, who left on 1st December for Mexico to hold talks with officials there, stated that the project was of great importance to Iraqi industry. When completed, it would be a basic centre for supplying steel to Middle East countries. He said Iraq would buy iron ore from India, Sudan and Brazil. The ore would be purified by the natural gas process. Iraq had an abundant supply of natural gas. Mexico had been the first country in the world to extract iron by the gas process; the old method of extraction used to rely on coal. (Iraqi News Agency in Arabic 1000 gmt 2 Dec 72)

ISRAEL

TRADE DEFICIT The trade deficit increased in the first 10 months of 1972 by about 17 per cent and now stands at 607,000,000 dollars. In October there was a decrease of 11 per cent in the trade deficit, which stood at 50,000,000 dollars, although an increase in the deficit was anticipated in view of regular seasonal changes. These data do not include trade between Israel and the administered territories. (Israel home service 0600 gmt 4 Dec 72)

METAL INDUSTRY STATISTICS Hayyim Bar Lev, the Minister of Commerce and Industry, said on 4th December that the metal industry in Israel would this year export products worth 100,000,000 dollars - five times the amount of metal exports five years ago. The Minister said: Exports are expected to reach 500,000,000 dollars in seven years' time. Investment in the metal industry in the next five years will reach £2,000 million - about one-third of all investment in Israel. Israel will have to seek foreign investors to obtain that £2,000 million. (Israel home service 1600 gmt 4 Dec 72)

ECONOMIC STATISTICS The gross national product has increased in the past year by nine per cent, and industrial production has increased in the past three years by 44 per cent. The total wages of salaried workers increased in the past three years by 60 per cent, and an increase of eight per cent is expected this year in private consumption. This was stated on 5th December on the basis of partial data by the acting government statistician, Dr. Moshe Sikron, on the occasion of the publication of the new Statistical Yearbook. He also forecast that Israel's population would be more than 4,000,000 by the end of the decade, and was likely to reach 5,800,000 by the end of 1990. (Israel home service 1000 gmt 5 Dec 72)

A. ECONOMIC AND TECHNICAL

1. THE MIDDLE EAST

ALGERIA

SHIPPING SERVICE TO WEST AFRICA As from 31st December 1972 the Algerian National Shipping Company (CNAN) will operate a regular service to the West African coast. The Ibn-Sina, a mixed cargo vessel of 4,200 tons, will make the inaugural voyage to Casablanca, Nouadhibou (Port Etienne), Dakar, Abidjan, Conakry, Buchanan, Cotonou and Apapa. (APS in French 1400 gmt 4 Dec 72)

GREECE

1973 STATE BUDGET The Council of Ministers on 30th November approved the State Budget for 1973. The budget provides for a surplus of 1,100 million drachmas. Revenue during the next fiscal year will be 103,750 million drachmas and expenditure 101,650 million drachmas. A total of 74,150 million drachmas is allocated for the ordinary budget and 27,500 million drachmas for state investments. (Athens home service 1100 gmt 30 Nov 72)

FOREIGN BANK LOAN FOR POWER PROGRAMME A consortium of foreign banks will make a loan of 60,000,000 dollars to the Public Power Corporation to carry out its 1972-76 programme. The agreement was signed in London on 1st December in the presence of the Greek Ambassador, the Deputy Governor of the Bank of Greece, and representatives of American, Canadian, German, British, Swiss and Japanese banks. (Athens Armed Forces Radio 1900 gmt 1 Dec 72)

RELATIONS WITH BULGARIA An agreement on economic, scientific and technical co-operation was signed during the first session of the Bulgarian-Greek Government Commission on economic co-operation which took place in Sofia from 22nd-25th November. It provides for a further increase in trade and economic co-operation. A protocol, signed at the end of the session, stresses the great opportunities for increased co-operation that exist in the sphere of transport, power, water economy, science and technology, and tourism. (Sofia home service 1830 gmt 26 Nov 72; EE/W703/A/4)

IRAN

SOVIET MACHINE TOOLS EXHIBITION An exhibition of Soviet technological equipment which has opened in Tehran was organized jointly by the all-Union association Stankoimport and the joint stock society Stankoimport-Iran. (Tass in English 1453 gmt 1 Dec 72)

RELATIONS WITH YUGOSLAVIA (Excerpt from joint communique on Bijedic's visit to Iran) ... In this context both parties agreed to stimulate and afford the customary privileges for the conclusion of long-term mutually beneficial arrangements in the field of agriculture, forestry, oil, industry, mining, trade and scientific and technical co-operation. They also noted the existence of possibilities for joint investment to promote and link the two countries' markets and for co-operation in third-party markets. The two premiers noted with satisfaction that agreement in principle had been reached on possible long-term arrangements for the export of Iranian oil to Yugoslavia... (Tanyug in Serbo-Croat 1356 gmt 30 Nov 72). Under a general agreement signed in Tehran the Yugoslav firms INGRA and INA are to purchase from the NIOC 12,000,000 tons of

REVIEWERS SLIP
RESTRICTED WHEN COMPLETED

SS SIS MOD JIC

GCHQ LRT Officer

Head Historians

Class/ref..... *FLC 8*

Piece no..... *1904*

Ref/folio..... *(89)*

Sensitivity of the material is

PERSONAL

(INTERNATIONAL)

INTELLIGENCE RELATED

OTHER (SPECIFY)

RHD Reviewers Recommendations

~~Release or~~

Block

in 66

(89)

*Head of Vienna Com-
by HMC*

Name *M. Luy* Date *21/04/02*

Other Reviewers Recommendations

Release or

Block

Initials.....Date.....

Instructions for HP

Release or see Action Sheet

see P. Prior's mem. 20/5/02

Name... *Lehland* Date... *13/6/02*

LRT Officer

RESTRICTED WHEN COMPLETED

Yes. The
address in Baghdad
needs to be
amended.

Mr Smith
This seems clear enough. I suggest this minute and
its enclosures be circulated in Dept with copies for Room 98,
Mr Hyatt and ourselves 16/12/72
Mr Burton - MED

TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM
COMPANY

RECEIVED IN
REGISTRY No. 35
28 DEC 1972

N32.2/1

1. We recently discussed the arrangements for handling IPC telegrams from 1 January 1973, when your department will take over this responsibility. For ease of reference I attach copies of our circulars of 22 March 1971, 5 January 1972 and 28 January 1972, (not to other recipients).

2. The practical rules on which we are at present working may be summarised as follows:-

- (a) Most telegrams go Priority or Immediate Deskby 0530Z the next day.
- (b) In a crisis we use Immediate Deskby transmission time plus 3 hours or in very exceptional cases Flash. We ask Mr Stockwell's Secretary, Miss Flanagan, to state the desired time of receipt in cases where action the same day is required. The Company is cooperating fully in keeping down the number of such messages.
- (c) Messages from Baghdad. We have agreed with the IPC that the Resident Clerk will pass on all out-of-hours messages to Mr Stockwell (tel 66-53024) or Mr Milne (04865-3751) at home. (Para 6a of our circular of 5 January is no longer applicable).
- (d) IPC telegrams are handled on a confidential basis and are not given Oil Distribution.

3. Industry, Science and Energy Department will not wish to see copies of IPC telegrams.

G P Lockton

14 December 1972

G P Lockton
Oil Department

c.c.
Communications Dept - Telegram Examiners
Communications Dept - Distribution Selectors
Resident Clerk
British Interests Section
Royal Swedish Embassy, Baghdad
Mr Bretherton DTI

Mr and
NBR 12/1 (1973)

C I R C U L A R

FCO TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY (IPC)

1. Para 3a(ii) of Mr. Chalmers' circular of 5 January contained guidance on assessing the priority of messages passed to Baghdad for the IPC. We have since learned that this paragraph needs amendment in the light of comments from Baghdad. The priority markings "Immediate" and "Flash" should be used only in exceptional cases for the following reasons:-

- (a) Only messages sent by 11 a.m. will reach Baghdad in time for action in office hours to be taken the same day. The reduced staff of the British Interests Section should not be called in outside office hours except in cases of genuine need.
- (b) The frequent arrival of urgent messages after office hours at the British Interests Section in Baghdad at a time when our relations with Iraq are fairly inactive could cause suspicion amongst the Iraqis and possibly embarrassment to the protecting Swedish Embassy.

2. Our agreement to transmit messages for IPC does not entitle their traffic to a higher priority than our own. Authorisers of IPC telegrams should therefore use their discretion in assessing the priority using the following guidelines:-

- (a) IPC messages should normally be sent "Routine" or "Priority".
- (b) The marking "Immediate" should only be given if the authoriser is satisfied that it is justified, and should be accompanied by a "Deskby 0530Z" marking if it is for action the following day.
- (c) During IPC negotiations with the Government in Baghdad, instructions sent from London justify "Immediate".
- (d) Flash telegrams should only be sent where action the same day is urgently required, and the message would otherwise not be received in time.

CONFIDENTIAL

3. The working hours of IPC are:-

Summer: 0800 to 1400 (to 1300 on Thursdays)

Winter: 0830 to 1400 (" ")

They do not work on Fridays. Baghdad is 3 hours ahead of GMT. Thus a telegram sent after 11 a.m. cannot reach anyone in IPC Office hours that day.



P G P D Fullerton
Oil Department

28 January 1972

DISTRIBUTION:

Oil Dept (5)

Near Eastern Dept (2)

Arabian Dept (1)

Communications Dept - Telegram Examiners
- Distribution Selectors

Resident Clerk

British Interests Section, Royal Swedish Embassy, Baghdad

Mr Bretherton - Petroleum Division DTI

CONFIDENTIAL

Confidential

(7)

-6 JAN 1972

ML 14/1

C I R C U L A R

FCO TELEGRAMS PASSED ON BEHALF OF THE
IRAQ PETROLEUM COMPANY (IPC)

1. This circular confirms and updates Mr Ellingworth's circular of 22 March 1971.
2. The IPC is a London registered oil company which has concessions in Iraq. Other companies affiliated to IPC have concessions in Abu Dhabi and Qatar. Shell and BP each have a 23.75% share in the company. We have an agreement with the IPC under which we pass urgent confidential messages for them between London and Baghdad. The origin of this agreement was that the IPC were in dispute with the Iraqi Government and therefore needed secure communications with Baghdad. This situation still prevails. The IPC pay the FCO for this service.
3. The arrangements for passing telegrams on behalf of the IPC are as follows:-
 - a. ACTION IN OFFICE HOURS:
 - i. Inward Messages. Advance copies of IPC telegrams should be sent to the PA of the Head of Oil Department (or any other available member of the department). The PA will then telephone the IPC office. If it is a short message the IPC usually take it down. If it is a long message, or an important one requiring a confirmatory copy, the IPC send a messenger to Oil Department to collect a copy. Whoever hands over the copy is responsible for ensuring that it is "topped and tailed" (including removal of the Ambassador's name).
 - ii. Outward Messages. (See specimen draft attached.) The IPC either telephone these to Oil Department or send the text by messenger. Outward telegrams should be addressed to Baghdad and prefixed "Please pass following to (eg) Milne, IPC, from Stockwell. IPC/47". Then take in the text of the message. The IPC serial number will be quoted by the IPC sender. All IPC telegrams must be classified (normally Confidential). The FCO sender should mark at the top of the draft "Cost to be recovered from IPC, 33 Cavendish Square, London W1". The Baghdad Embassy are responsible for topping and tailing before passing the text on. The priority

/of

Confidential

of outward telegrams should be decided by the authoriser of the telegram. Wherever possible the IPC should be asked to state the time by which their message should reach their representative in Baghdad. Most IPC telegrams are sent Immediate. If the telegram is marked or requested 'Flash' by IPC, the authoriser should bear in mind that Baghdad is 3 hours ahead of GMT and that the telegram may not be needed by the IPC recipient in Baghdad in the middle of the night. He should therefore use his discretion as to the priority marking of the telegram to avoid calling out the Embassy staff unnecessarily at night. The IPC in Baghdad start work at 0800 in summer and 0830 in winter. The Embassy keeps much the same hours. It may therefore often be sensible to send telegrams marked 'Flash' by the IPC with a Deskby 0515Z (0815 local time) precedence with the suffix 'first contact'.

b. ACTION OUTSIDE OFFICE HOURS:

i. Inward Telegrams. Advance copies of IPC telegrams should be sent to the Resident Clerk who should telephone the message to an IPC official at home (see list of names below). He should then minute his copy of the telegram to Oil Department stating the action taken, time, etc.

ii. Outward Telegrams. Any request from the IPC to send a telegram out of office hours should be referred to the Resident Clerk who should take the telegram down and dispatch it as in paragraph 3 a.ii. above.

4. DISTRIBUTION. The distribution of IPC telegrams should normally be:-

Files
Oil Department
NED
Mr Keeble.

Oil Department are responsible for separate action to copy to the DTI and the Treasury the text of IPC messages (other than "private" communications on such matters as staffing). IPC telegrams should not be given oil distribution, unless expressly requested by Oil Department.

/5.

Confidential

5. COLLECTION OF COSTS. The costs of all IPC telegrams are collected from the IPC. Arrangements are made for the cost of inward IPC telegrams from Baghdad to be collected in London.

6. IPC ORGANISATION. The following are the names of IPC officials normally concerned with these arrangements:

a. LONDON

Iraq Petroleum Co Ltd 629-9405
33 Cavendish Square
London W 1

Mr G G Stockwell
Managing Director

Office x 2161
Home: 36-530-24
(Farnborough)

later changed
to 66-53024

Miss Flanagan Office x 2106
PA to Mg Dr

Mr R E R Bird: Office x 2132
Home: 06-282-7679
(Maidenhead)

0628-27679

b. BAGHDAD

Mr R Milne
Chief Representative
in Iraq

7. This circular confirms the existing arrangements, and introduces no major changes in the system. I would be grateful, however, if it could be brought to the attention of newcomers in any of the departments to which it is distributed, and if possible brought up on a 6-monthly basis.

G. Lucian Chubb.

G B Chalmers
Oil Department

5 January 1972

DISTRIBUTION:

Oil Department (5)
Near Eastern Department (2)
Arabian Department (1)
Communications Department - Telegram Examiners
Communications Department - Distribution Selectors
Resident Clerk
British Interests Sections, Royal Swedish Embassy, Baghdad

CONFIDENTIAL

Circ(Or

FCO TELEGRAMS PASSED ON BEHALF OF THE IRAQ PETROLEUM COMPANY (IPC)

1. The IPC is a London registered oil company which has concessions in Iraq. Other companies affiliated to IPC have concessions in Abu Dhabi and Qatar. Shell and BP each have a 23.75% share in the company. We have an agreement with the IPC under which we pass urgent confidential messages for them between London and Baghdad. The origin of this agreement was that the IPC were in dispute with the Iraqi Government and therefore needed secure communications with Baghdad. This situation still prevails. The IPC pay the FCO for this service.

2. The arrangements for passing telegrams on behalf of the IPC are as follows:-

(a) ACTION IN OFFICE HOURS

(i) Inward Messages. Advance copies of IPC telegrams should be sent to the PA of the Head of Oil Department (or any other available member of the department). The PA will then telephone the IPC office. If it is a short message the IPC usually take it down. If it is a long message, or an important one requiring a confirmatory copy, the IPC send a messenger to Oil Department to collect a copy. Whoever hands over the copy is responsible for ensuring that it is "topped and tailed" (including removal of the Ambassador's name).

(ii) Outward Messages (see specimen draft attached). The IPC either telephone these to Oil Department or send the text by messenger. Outward telegrams should be addressed to Baghdad and prefixed "following for (eg) Hahn from Stockwell IPC/47". Then take in the text of the message. The IPC serial number will normally be quoted by the IPC sender. All IPC telegrams must be classified (normally Confidential). The priority should be decided by the FCO sender. Most IPC telegrams are sent Immediate. The FCO sender should also mark at the top of the draft "Recover cost". The Baghdad Embassy are responsible for topping and tailing before passing the text on.

(b) ACTION OUTSIDE OFFICE HOURS

(i) Inward Telegrams. Advance copies of IPC telegrams should be sent to the Resident Clerk who should telephone the message to an IPC official at home (see list of names below). He should then minute his copy of the telegram to Oil Department stating the action taken, time, etc.

CONFIDENTIAL

(ii) Outward Telegrams. Any request from the IPC to send a telegram out of office hours should be referred to the Resident Clerk who should take the telegram down and dispatch it as in paragraph 2(a)(ii) above.

DISTRIBUTION

3. The distribution of IPC telegrams should normally be:-

Files Distribution

Oil

NED

Mr Gallagher

Mr Parsons

Copies to:-

Head of Shift, Signal Office, Communications Department

Oil Department are responsible for separate action to copy the text of messages to the DTI and the Treasury (other than "private" communications on such matters as staffing). IPC telegrams should not be given oil distribution.

COLLECTION OF COSTS

4. The costs of all IPC telegrams are collected from the IPC. Arrangements are made for the cost of inward IPC telegrams from Baghdad to be collected in London.

IPC ORGANISATION

5. The following are the names of the IPC officials normally concerned with these arrangements:-

LONDON

Tel Nos

Iraq Petroleum Company
33 Cavendish Square
London W1

629 9405

Mr G Stockwell
Managing Director

Office extn 2161
Home 36 530 24
(Farnborough)

Miss Flanagan
Secretary to
Managing Director

Office extn 2106

Mr R E R Bird

Office extn 2132
Home 06 282 7679
(Maidenhead)

BAGHDAD

Mr Hahn
Chief Representative in IRAQ

CONFIDENTIAL

6. This circular confirms the existing arrangements, and introduces no major changes in the system. I would be grateful, however, if it could be brought to the attention of newcomers in any of the departments to which it is distributed, and if possible brought up on a six monthly basis.

R H Ellingworth
Oil Department

22 March 1971

Distribution:

Oil Department (5)

NED (2)

Arabian Department (1)

Communications Department - Telegram Examiners

Communications Department - Distribution Selectors

Resident Clerk

Chancery, Baghdad

DEPARTMENT

reach addressee(s).....0515Z.....

(Date).....

Despatched

Cost to be recovered from
IPC 33 Cavendish Square W17

SECURITY CLASSIFICATION

~~Top Secret~~
~~Secret~~
Confidential
~~Restricted~~
~~Unclassified~~

PRIORITY MARKINGS

~~Flash~~
Immediate
~~Priority~~
~~Routine~~

PRIVACY MARKING

In Confidence

En Clair.
Code
Cypher

[Security classification
—if any] CONFIDENTIAL

[Privacy marking
—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Draft Telegram to:—

Baghdad

No.

(Date)

And to:—

Repeat to:—

Saving to:—

Distribution:—

FILES

OIL DEPT

NED

Mr Keeble

Copies to:—

at discretion
of Oil Dept

Please pass following to ^{Pawson} Milne, IPC, from
Stockwell.

IPC/(number).

[take in text a-b attached]

NOTHING TO BE WRITTEN IN THIS MARGIN

Registry No.
DEPARTMENT ML

RECOVER COST

CONFIDENTIAL
Date and time (G.M.T.) telegram should
reach addressee(s)

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIORITY MARKINGS

Flash
Immediate }
Priority
Routine

(Date)

Despatched

251700Z

PRIVACY MARKING

In Confidence

En Clair
Code
Cypher

[Security classification
—if any] CONFIDENTIAL

[Privacy marking
—if any]

[Codeword—if any]

Draft Telegram to:—

Baghdad
No.

(Date)

And to:—

Repeat to:—

Saving to:—

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Following for Hahn from Stockwell. IPC/48

[Take in Text A-B attached]

Distribution:—

Files

O11
NWD

Mr Gallagher
Mr Parsons

Copies to:—

Mr Warrington
(Petroleum Division)
—DTI—

Head of Shift
(Signal office)

NOTHING TO BE WRITTEN IN THIS MARGIN

I. G. MACPHERSON

Iraq/197

33 CAVENDISH SQUARE.

LONDON, W. 1.

01-629 9405.

13th December, 1972.

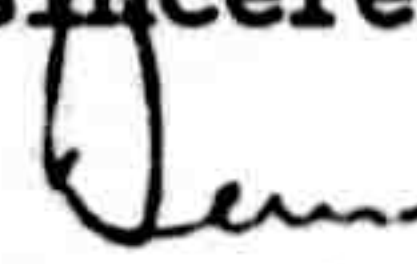
Reg'y :

Cc to MED & NDI
& to Mr. [unclear]
x pr.

Dear Guy,

As promised on the telephone yesterday I enclose a few copies of our Organisation chart which shows the organisation of this office and the relationship with Overseas Management.

Yours sincerely,



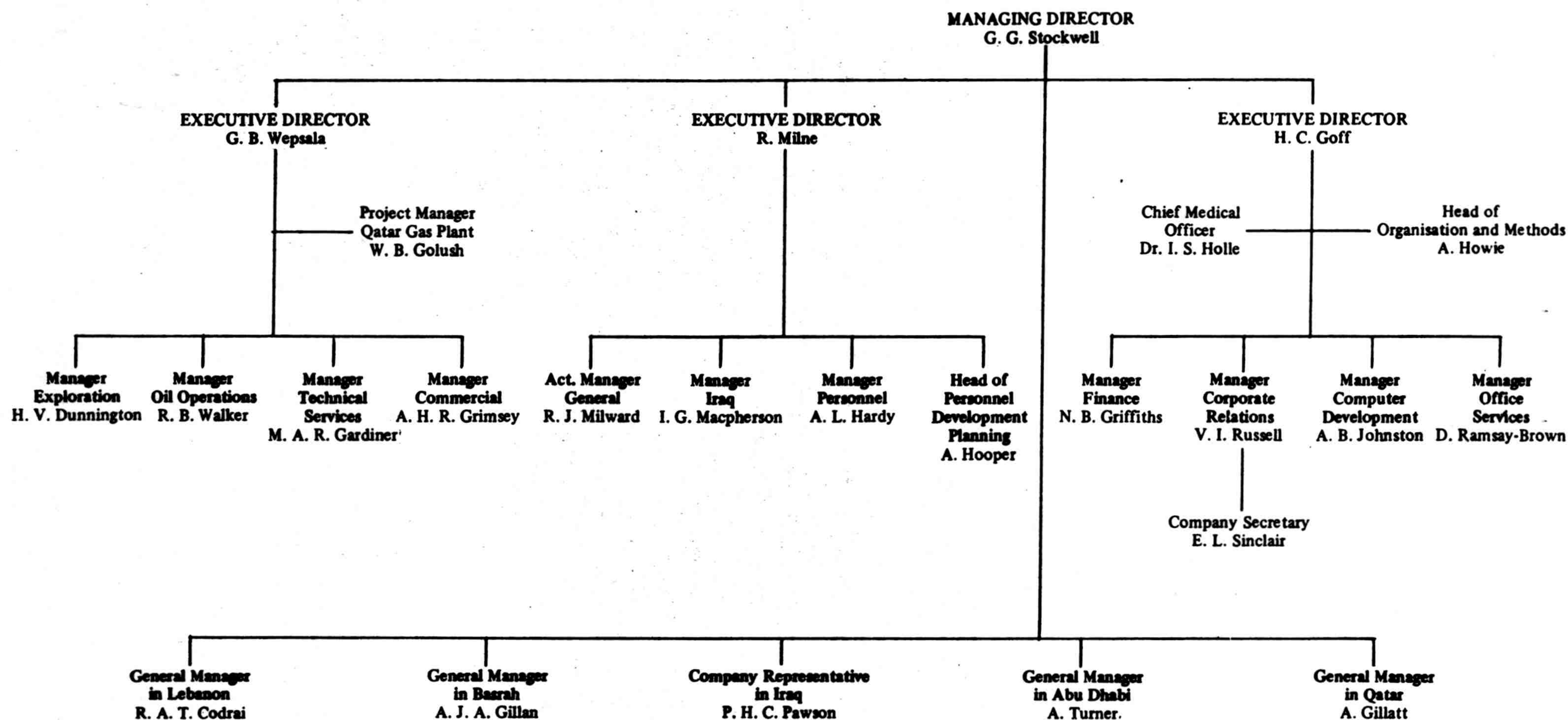
I.G. Macpherson.

Encls.

G.P. Lockton, Esq.,
Foreign & Commonwealth Office,
Room 66c, Ground Floor,
Gt. George St.,
London, S.W.1.

RECEIVED IN REGISTRY No. 35 - 1 JAN 1973 NBR 12/1
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ORGANISATION CHART OF IRAQ PETROLEUM and ASSOCIATED COMPANIES



REVIEWERS SLIP
RESTRICTED WHEN COMPLETED

SS SIS MOD JIC

GCHQ LRT Officer

Head Historians

Class/ref... ~~91~~ File 8

Piece no... 1904...

Ref/folio... 91 8 enc!

Sensitivity of the material is

PERSONAL

INTERNATIONAL

INTELLIGENCE RELATED

OTHER (SPECIFY)

RHD Reviewers Recommendations

~~Release or~~
Block

Lee (A)

Name DLH Date 27/10/02

Other Reviewers Recommendations

Release or
Block

Initials.....Date.....

Instructions for HP

Release or ~~see~~ Action Sheet

See P. Prior's mem. 20/5/02.

Name K. H. Cleveland Date 13/6/02

LRT Officer

RESTRICTED WHEN COMPLETED

Cutting dated 29 DEC 1972 19

Oil group extends Iraqi takeover deal deadline

BY ADRIAN HAMILTON

THE NATIONALISED Iraq Petroleum Company (IPC) consortium of Western-owned oil companies has extended to the end of January its deadline for a settlement of the nationalisation question.

In a statement issued to-day, it reports that the mediators in the dispute "declare that the mediation continues and that a further declaration will be made not later than January 31, 1973."

In view of this, IPC had decided to continue "without prejudice to its rights" not to take legal action against buyers of the nationalised oil, although it regarded itself free to take

such action if mediation failed.

Extension of the deadline, while not unexpected, does reflect some optimism that the talks now being conducted through mediators could result in a settlement.

The talks are being conducted in great secrecy, and one cause for hope in the industry is that the Iraq Government so far has refrained from the public statements of its position which have so often preceded a breakdown in talks in the past.

Shareholders in IPC, which was nationalised earlier this year, include Shell and BP as substantial partners.

Oil

Entire
28/11
/ML
AUS/15
NB
RR

MED



With the compliments of
OIL DEPARTMENT

Enter
Mr Draycott
May I have
a separate copy
for my notebook
yes?
1/1/4

FOREIGN AND COMMONWEALTH OFFICE

S.W.1

21/1
BU 10/1/73
K31

7. **INOC Exports from Baniyas Down in November:** According to figures released by the Iraqi National Oil Company (INOC) on 2 December, exports in November of nationalized Kirkuk crude from the Syrian Port of Baniyas amounted to 2,217,515 tons (554,379 b/d) showing a drop of 27.9 percent over the October figure of 3,075,664 tons (744,112 b/d). (94)

Total exports of Kirkuk crude for the five-month period beginning on 7 July (when exports resumed) through 30 November amounted to 9,929,179 tons (506,591 b/d) loaded on board 228 tankers of various flags.

The monthly breakdown of Kirkuk exports from Baniyas since 7 July is as follows:

MEES

Month	Metric Tons	Barrels/Day
July	600,000	145,181
August	1,750,000	423,387
September	2,286,000	571,500
October	3,075,664	744,112
November	2,217,515	554,379
Total	9,929,179	506,591

8. **Petrobras to Carry Out Seismic Survey in South Iraq:** Brazil's state-owned national company Petroleo Brasileiro (Petrobras) is scheduled to begin in mid-December a seismic survey in south Iraq under the terms of the oil exploration and development service contract concluded with the Iraqi National Oil Company last August (MEES, 11 August). The contract covered three areas in central and south Iraq totalling 7,900 sq. kms.

The survey will be conducted in the two areas in south Iraq, one in the region of 'Ali al-Ghazali in the Basra Governorate and the other east of the town of Qurna in the Basrah Governorate. The third area is located in central Iraq between Baghdad and the town of al-Jamajal, 60 kms. to the west of Baghdad.

INOC to Export Crude to Morocco This Year: Following a visit to Baghdad early in November of a two-man Moroccan delegation from the Société Cherifienne des Pétroles (SCP) to discuss with Iraqi officials the purchase of 500,000 tons of Kirkuk crude in exchange for Moroccan goods within the framework of a \$25 million trade protocol concluded between the two countries in May 1971, it was announced in Baghdad on 2 December that an agreement had been reached between the two sides under which Iraqi oil exports would be delivered to Morocco this year. No further details on the agreement have been given.

IRAQ

MEES 8.12.72 NSR1211 (94)

9. Iraq and Egypt Negotiate Crude Barter Deal for 1973: According to the head of the Egyptian Foreign Trade Organization, Mr. Adel Fahmi, who is currently holding discussions with Iraqi officials on the possibility of expanding the volume of trade exchanges between the two countries, Egypt is interested in importing some two million tons of nationalized Kirkuk crude in 1973 on a barter basis in return for Egyptian goods. A delegation from the Egyptian General Petroleum Corporation (EGPC) is expected to visit Baghdad soon to finalize the terms of this deal.

Meanwhile during his visit to Baghdad Mr. Fahmi and the Iraqi Minister of Economy agreed on the range and volume of Egyptian products which will be supplied to Iraq in return for the 275,000 tons of Iraqi crude purchased by Egypt in 1972 in accordance with an agreement signed last September. In this connection MEES learns that the barter price of the Kirkuk crude involved is in the neighborhood of \$2.80 per barrel.

10. Iraq Exports 325,843 Tons of North Rumailah Crude in November: According to figures released by the Iraq National Oil Company (INOC), 325,843 metric tons (82,460 b/d) of North Rumailah crude was exported from the port of Fao in November, raising the total level of exports from this field to 1,927,125 metric tons (60,729 b/d) during the period 7 April-30 November 1972.

11. Iraqi-Syrian Talks Adjourned Without Agreement: The second round of talks between Iraq and Syria concerning oil transit dues following the nationalization of IPC's operations in both countries adjourned in Damascus on 16 December. The outcome of the talks has not been revealed, but it has been announced that another round of talks is to take place at a later but as yet unspecified date.

At the start of this latest round of talks, which opened in Damascus on 6 December, only slight progress had been made towards finding a mutually acceptable formula for oil transit payments (MEES, 8 December).

95

BRITISH EMBASSY

MADRID

28 December 1972



Oil Department
FCO

SB 22/12
to see on
8/11
pu

SPAIN/IRAQ: COMMERCIAL AGREEMENT

As you will probably have already heard, Spain and Iraq signed a Commercial and Cooperation Agreement in Madrid on 23 December. The Agreement is to last for five years and provides for Spanish assistance in the exploration and exploitation of Iraqi petroleum fields. The agreement also allows for the purchase at competitive prices by Spain over the next five years of internationally saleable Iraqi oil. No official statement has been made with regard to the quantity of oil involved although the Ministry of Foreign Affairs has said that the purchases will be important.

C J R Meyer

cc Middle East Department
FCO

Southern European Department
FCO

LAST PAPER

Oil Operations In Iraq. Oil In Iraq. 31 Aug. 1972. MS Middle East Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO, The National Archives, Kew, UK FCO 8/1904. Newspaper Cutting. The National Archives (Kew, United Kingdom). Archives Unbound, link.gale.com/apps/doc/SC5107471902/GDSC?u=webdemo&sid=bookmark-GDSC&xid=292bc7f2&pg=1. Accessed 11 Apr. 2022.